

# Chairman's Statement



TAI Tak Fung, Stephen, *Chairman*

## RESULTS

I, on behalf of the board of directors, have pleasure to announce that turnover for the financial year ended 31 March 2001 increased by 22% to HK\$1,124,833,000 (2000: HK\$923,863,000) and net profit attributable to the shareholders was HK\$67,490,000 (2000: HK\$56,041,000), representing an increase of 20% compared with last financial year.

## DIVIDENDS

The board of directors has recommended a payment of a final dividend of 3.0 cents per share (2000: 3.0 cents) in respect of the financial year ended 31 March 2001. Subject to shareholders' approval at the annual general meeting to be held on 3 September 2001, the final dividend will be payable on 12 September 2001. Together with the interim dividend of 1.6 cents per share, the total distribution for the financial year ended 31 March 2001 will be 4.6 cents per share.

In addition, in May 2000, the Company declared a special dividend to its shareholders by way of a dividend in specie, on the basis of 377 shares of Four Seas eFood Holdings Limited (formerly known as Four Seas Frozen Food Holdings Limited) ("FSFH") for every 1,000 shares of the Company then held.

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## BUSINESS REVIEW

In the financial year under review, the economy of Hong Kong made its recovery at a slow pace. Generally, all businesses in Hong Kong had still operated under difficult environment as a result of persistent deflation, high unemployment and weak spending power. Despite these unfavourable factors, the Group was able to achieve excellent results. This was largely attributable to the leading position of the Group in the food industry, the renowned brand names and the extensive variety of food products carried by the Group. With its well-received products, the Group had achieved outstanding results in sales. Regarding the manufacturing division, after several years of development, turnover of the food products produced by the Group's manufacturing plants located in Mainland China have increased significantly in the year under review. This, together with the improvements in efficiency of these manufacturing plants, had enhanced the profitability of the Group. During the year, the weakened Japanese yen had lowered the costs of trading products, which led to improved operating margins and profitability.

In May 2000, the former associate of the Group, FSFH, completed its corporate restructuring involving, among others, the disposal of its ham manufacturing operations to the Group



*Four Seas Ice Mint – Mark Lui,  
Hong Kong upcoming idol singer.*



*Bo Bo Tea – Jackie Chan,  
famous international movie star.*



*Four Seas Milk Candy – Joey Yung,  
Hong Kong famous upcoming singer.*



*Pokka Four Seas Milk Coffee –  
Nicholas Tse, Hong Kong upcoming  
idol singer and movie star.*



*Four Seas Seaweed – Lillian Ho,  
Hong Kong famous upcoming singer.*



*Four Seas My Mint – Stephen Fung,  
Hong Kong upcoming idol singer.*

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for an aggregate consideration of approximately HK\$125,909,000. Such consideration was satisfied by the issue to FSFH of 86,714,000 ordinary shares of the Company at a price of HK\$1.452 per share. In addition, the Company distributed the Group's interest in FSFH to shareholders by way of a special dividend in specie. Upon the distribution in specie, the results of FSFH were no longer accounted for in the Group's financial statements. Accordingly, the Group's share of profits of associates was lower than that of last year. Nevertheless, the newly acquired ham manufacturing operations has enlarged the Group's operations and contributed to Group's sales and profit.

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## FOOD DISTRIBUTION

The performance of the food distribution business of the Group was encouraging during the year under review. Over the last 30 years, the Group has successfully built up many well-known brand names and an extensive distribution network which includes department stores, supermarket chains, convenience stores, fast food chains, wholesalers, retailers, restaurants, hotels and

airlines. In addition, the Group's snack food specialty chain stores, operating under the name of "Okashiland", has performed satisfactorily and has become one of the effective channels for the Group to introduce continuously the hot items in the Japanese snack food market to consumers in Hong Kong.



"No. 1 Brand" awarded to Four Seas Cake by the Beijing Consumer Council.

The Group has further developed its health food distribution business during the year. In November, 2000, the Group entered into a new business partnership with Morishita Jintan Co., Ltd. of Japan

("Jintan"), a company with over a 100 years of history, to form a 50-50 joint venture company, namely Four Seas & Jintan Co., Ltd. ("Four Seas & Jintan"). Jintan has a long history and manufactures a wide range of health foods and pharmaceutical products which have been well received by consumers in Japan. Jintan has led the market in the introduction of telemarketing and internet sales of healthcare products in Japan, which have produced excellent results. Four Seas



Health foods produced by Morishita Jintan, Japan.

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& Jintan has recently pre-launched several new products including Jintan Salacia Diet, Jintan Bifidus and Jintan DHA/EPA to consumers in Hong Kong. Market response to these new products is encouraging. It is planned that a series of health food products will be introduced to the markets of Hong Kong and Mainland China soon. The development of health food business has marked a milestone for the Group and lays a solid foundation for its long term development.



*Gummy Candy and Meltykiss chocolate from Meiji Seika, Japan.*



*Harvest Biscuits made by Tohato, Japan.*



*Wine from E&J Gallo Winery, the largest wine maker in the U.S.*



*Biscuit Stick made by Ezaki Glico, Japan.*

The newly acquired ham manufacturing business helps to expand the Group's business to processed meat operation and will enhance the Group's long term development in this area. At present, the comprehensive range of products sold by the Group includes milk, milk powder, confectioneries, biscuits, snacks, chocolates, toy candies, beverages, cakes, ice-cream, instant noodles, soy sauce, seasonings, wine, ham, sausages and health food products.

## FOOD MANUFACTURING

The 15 food manufacturing plants of the Group located in Hong Kong and Mainland China have continually been performing satisfactorily. Twelve of these manufacturing plants are located in Mainland China. Benefiting from the Group's marketing efforts in past years, products produced by these manufacturing plants have become well-known among the consumers. Sales of "Four Seas Seaweed", which is produced by Nico Four Seas (Shantou) Company Limited,



*Nico Four Seas (Shantou) Company Limited*



*Mr. Qian Qi Shen, Vice Premier of State Council, visited the factory of Nico Four Seas (Shantou) Company Limited*



*Nico Four Seas (Shantou) Company Limited and Kanro Four Seas Foods (Shantou) Company Limited received the Certificate of Important Industrial Enterprise issued by the Shantou City Government.*



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*Kanro Four Seas Foods (Shantou) Company Limited*



*Guangdong M & F-Yangtang Dairy Products Company Limited*



*Pokka Four Seas (Suzhou) Food Company Limited*

has been increasing. "Four Seas Milk Candy", produced by Kanro Four Seas Foods (Shantou) Company Limited, has gained a good reputation among the consumers and has been selling well. "Four Seas Seaweed Corn Crisp", produced by Tohato Four Seas Confectionery (Shenzhen) Company Limited, has received excellent response from consumers since its launch, and the Group is planning to develop a series of food products associated with "Four Seas Seaweed" in the future. Other items, such as "Meiji Ice-cream" products, produced by Guangdong M&F-Yantang Dairy Products Company Limited, and "Pokka Four Seas" drinks, produced by Pokka Four Seas (Suzhou) Food Company Limited, are well-received by the consumers and their sales are increasing.

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*The Calbee Four Seas Factory in Tseung Kwan O.*

In early 2000, the Group established a snack food manufacturing plant in Tseung Kwan O with Calbee Foods Co., Ltd., the largest snack manufacturer in Japan. Production volume of this plant has been increasing since

its commencement of operation. Currently, items produced include Calbee Potato Chips, Grilled Corn Sticks, Prawn Crackers and a series of Calbee food products. The local production facilities have further increased the market share of Calbee products. Notwithstanding its short history of only around one year, the plant has been contributing profits to

the Group due to its high operating efficiency. Also, Calbee products have received several award recognitions. In a market research on the “Most Well Received Brand Names” conducted by ACNielsen, an internationally renowned market research company, Calbee was awarded as “one of the best five brand names in Hong Kong”. In another survey in Hong Kong, it was known as “one of the top ten selling products” in supermarkets. These market recognitions reflect Calbee products’ leading position in the market and its popularity among consumers. It was the greatest honour of the Group to have the Chief Executive of the Hong Kong SAR to visit the plant during the year.

Through the acquisition of the aforesaid ham manufacturing operations, the Group has added to its manufacturing division two ham manufacturing plants which are located in Hong Kong and Mainland China respectively. The quality ham and sausage products produced by these two plants under the “Maid” Brand are very popular among the consumers in both Hong Kong and Mainland China. The Directors believe that these two plants will play an important role in the long term development of the Group.



*The Honorable Tung Chee Hwa, Chief Executive of the Hong Kong SAR visited the Calbee Four Seas Factory.*

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## FOUR SEAS BRAND

The Group has been continuously developing new products under the Four Seas Brand. With the support of large scale marketing campaigns and the popularity of the “Four Seas” brand name in both Hong Kong and Mainland China, turnover of Four Seas Brand products has



*Actively participating in food exhibition.*

further improved. In addition, the Group has selected high quality products from its food manufacturing plants to extend the Four Seas Brand series to further strengthen the image of Four Seas Brand as a symbol of superior quality. Products under Four Seas Brand now include Four Seas Seaweed, Seaweed Corn Crisp, Green Tea Candy, Camanbel Cheese Tara, Biscuit Stick, Soya Milk, Pokka Four Seas Pulpy C Orange, Pokka Four Seas Milk Coffee, Cola Candy, Fruit Jam Pie, Bubble Gum, Cake, Prawn Cracker, San



*Four Seas brand products.*

Rap Ton, Sky Tablet, Plum Wine, Choco and Coffee Biscuit, Ice Mint, Fruity Bix Bar, Provita Biscuits, Daifuku Marshmallow, Assorted Biscuits, Fish Sausage, Milk Candy, Mini Cup Noodle, Bowl Noodle, Big Bowl Noodle, Fried Noodle and Japanese Udon.



*Mr. Zhou Jia Hua, Vice Chairman of Standing Committee of National People's Congress, visited the exhibition hall of Four Seas Group.*



*Tonkichi Japanese Restaurant*

## POKKA CAFÉ

The Group established the Pokka Café chain together with Pokka Corporation of Japan in 1991. The chain has been growing steadily since its establishment and has successfully gained the patronage of the young generation. This is attributable to the



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excellent management team, the delicious Japanese cuisine, the innovative design and the elegant restaurant settings. As a result, it produced a good profit contribution to the Group during the year. During the year of 2000, three new shops were opened, including one coffee shop restaurant, one Tonkichi Japanese restaurant and one XYZ New York Grill & Sushi Bar ("XYZ"). With its innovative design and high quality food, XYZ targets customers at the high end market to broaden its customer base. Currently, the chain has 18 restaurants located in Mainland China, Hong Kong and Macau. The Group believes that the Pokka Café chain will continue to make good contributions to the Group in the future.



*XYZ New York Grill & Sushi Bar.*

## PROSPECTS

The Group celebrates its 30th anniversary this year. The Group has successfully transformed itself from a Hong Kong based importer specializing in importing Japanese confectioneries to one of the largest food enterprises in Hong Kong, with business activities covering food distribution, manufacturing, coffee shop restaurant operation and food material supply business. The Group has an extensive network of suppliers around the world, including Japan, Taiwan, Korea, Australia, Singapore, Thailand, Malaysia, Sri Lanka, the United States of America, Britain, Canada, South Africa, the Netherlands and Italy. The achievement of the Group is widely recognised.

Over the past 30 years, the Group has laid a solid foundation for its further advancement into the 21st century. The Group will actively develop the China market to take the opportunity brought about by favourable factors such as the accession of China into the WTO, the 2008 Olympic Games to be held in China, the huge market comprising 1.3 billion Chinese population and the increasing demand for high quality food products resulting from better living standards. Leveraged on the stable supply of high quality food products by its 12 manufacturing plants in Mainland China, and coupled with its strategy to develop the China market, the Group believes that the Mainland China market will



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account for an increasingly bigger share of the Group's of turnover in future. Four Seas Group is a unique food company listed on The Stock Exchange of Hong Kong Limited. The Group will further develop its business in both Hong Kong and China in order to maintain its leading position in the food industry and aim to become an internationally renowned food enterprise in the 21st century.

## APPRECIATION

I would like to take this opportunity to express my gratitude to the shareholders for their full support in the past year. Equally, I wish to thank the management and all the staff for their dedication and diligence to the Group in the past year.

**Dr. TAI Tak Fung, Stephen**

*Chairman*

Hong Kong, 24 July 2001