



TAI Tak Fung, Stephen, *Chairman*

RESULTS

On behalf of the board, I am pleased to report the profit attributable to shareholders of the Group was HK\$57.09 million (2000: HK\$32.70 million) and turnover was HK\$601.60 million (2000: HK\$711.25 million) for the year ended 31 March 2001. The Group's earnings per share was HK23.04 cents (2000: HK13.19 cents).

FINAL DIVIDEND

The board of directors has recommended the payment of a final dividend of HK1.0 cent (2000: HK1.5 cents) per share 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 HK1.0 cent per share, the total dividend distribution for the financial year ended 31 March 2001 will be HK2.0 cents per share (2000: HK2.5 cents).

BUSINESS REVIEW

In May 2000, the Group disposed of its ham operations to Four Seas Mercantile Holdings Limited ("FSMHL") for a consideration of HK\$125.91 million which was satisfied by the issue and allotment of 86,714,000 FSMHL shares at HK\$1.452 per share. The above transaction resulted in a gain of HK\$47.86 million being reported in the current year.

The Group's consolidated turnover for the year decreased to HK\$601.60 million which was caused by the sale of the ham manufacturing operations in May 2000. During the year, sale of frozen meat increased by 10% to HK\$575.92 million. Nevertheless, due to higher cost, operating profit from frozen meat trading decreased for the year.

Profit attributable to shareholders was HK\$57.09 million and included a provision of HK\$11.48 million for the diminution in value of the Group's Sheung Wan property and the Group's share of FSMHL's profit after taxation of HK\$15.03 million from the shareholding in FSMHL. Through its shareholding in FSMHL, the Group is able to indirectly participate in ham manufacturing operation as well as various food operations operated by FSMHL which should provide good contributions to the Group.



Participation in Food Fair

Frozen Meat Trading Operation

Despite keen price competition in Mainland China and Hong Kong, the Group's frozen meat products were well received by customers and achieved satisfactory growth both in volume and turnover. This was attributable to the Group's extensive distribution network, excellent reputation and solid foundation. At the same time, the marine product market is also being explored and has also made good progress. Positive contribution to the Group is expected in the long term.



Frozen meat products

Food Business Investment

The shares in FSMHL received from the disposal of the ham manufactory operations as mentioned above represented approximately 22% of enlarged issued shares of FSMHL. Currently, the Group intends to hold the shares for a long-term purpose.

Being a unique and financially strong corporation, FSMHL has 30 years of history in the food industry and is one of the largest food enterprises in Hong Kong. Current business operations of FSMHL encompass food distribution, manufacturing, café and restaurant chain operation, brand-building of "Four Seas" branded products and food materials distribution. Each of the business operations has growth potential. The diversified food operations of FSMHL have provided her with a good foundation for growth in revenue and profit. The Group believes that the investment in FSMHL has not only broadened its participation in the food business, but also provided it with a stable profit stream. For this reason, the Group has increased its shareholding in FSMHL to approximately 25% as of 31 March 2001.

During the year, FSMHL had an outstanding performance, with a significant increase in turnover and profit by 22% and 20% respectively. Turnover reached HK\$1,124.83 million whilst profit attributable to shareholders climbed to HK\$67.49 million. The Group's share of net profit after taxation was HK\$15.03 million which management considered to be a promising return.

Food Distribution

Building on its 30 years of experience in the food distribution business, FSMHL has distinct advantages over the other distributors in food product distribution. It has excellent relationships with food manufacturers and an extensive distribution network. FSMHL has maintained close working relationships with food manufacturers from different parts of the world, including Japan, Taiwan, Korea, Singapore, Thailand, Australia, Sri Lanka, the United States of America, the United



Headquarter – Fours Seas eFood Centre



Gummy Candy and Meltykiss Chocolate from Meiji Seika, Japan



Harvest Biscuits made by Tohato, Japan



Biscuit Stick made by Ezaki Glico, Japan



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

Kingdom, Canada, South Africa, the Netherlands, Italy and other countries. Most of the food products being distributed are leading and very famous brands and well-received by consumers. There are more than 4,000 products being distributed by FSMHL, including milk, milk powder, confectioneries, biscuits, snacks, chocolates, beverages, cakes, ice-cream, instant noodles, soy sauce, seasonings, wine. In addition, FSMHL has extensive distribution channels,

including department stores, supermarket chains, convenient stores, fast food chains, wholesalers, retailers, restaurants, hotels, airlines and others. Under sound management, growth of FSMHL has always been satisfactory. Looking for high potential and better margin products, FSMHL has started to develop health food products, in partnership with Morishita Jintan Co., Ltd. of Japan, a company with more than 100 years of history. Response from the pre-launch was encouraging which lays a good foundation for further development of the health food product market.



Health foods produced by Morishita Jintan, Japan

Food Manufacturing

Including the two newly acquired ham factories, FSMHL has 15 food factories located in Mainland China and Hong Kong. Most of the factories are joint ventures with major Japanese food manufacturers. Guangdong M&F - Yantang Dairy Products Co., Ltd. produces ice-cream and dairy products; Guangzhou Meiji Confectionery Co., Ltd. produces snacks; Four Seas Yamauchi Confectionery (Shantou) Co., Ltd. produces premium cakes; Nico Four Seas (Shantou)



Nico Four Seas (Shantou) Co., Ltd.

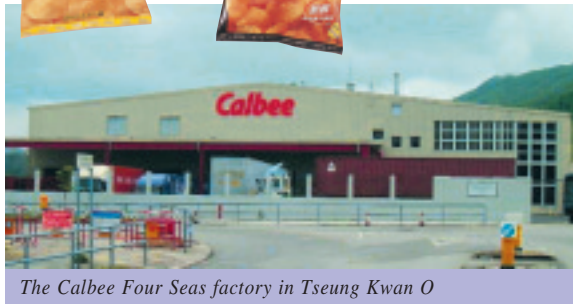


Guangdong M & F Yangtang Dairy Products Co., Ltd.

Co., Ltd. produces seaweed; Kanro Four Seas Foods (Shantou) Co., Ltd. produces premium confectioneries; Tohato Four Seas Confectionery (Shenzhen) Co., Ltd. produces snacks; Pokka Four Seas (Suzhou) Food Co., Ltd. produces beverages and Calbee Four Seas Co., Ltd. produces potato chips, grilled corn sticks, prawn crackers and a series of Calbee snack products. Capitalising on China's impending admission to the WTO, the 12 food factories in Mainland China are well poised to benefit from the strong demand of quality foods resulting from the improved economy in Mainland China.



Pokka Four Seas (Suzhou) Food Co., Ltd.



The Calbee Four Seas factory in Tseung Kwan O



Kanro Four Seas Foods (Shantou) Co., Ltd.

Four Seas Branded Products

FSMHL always emphasizes on the quality of its food products and therefore has won high recognition from the industry and confidence from the consumers. Capitalising on this, FSMHL

has been building on its own brand of products, "Four Seas Brand" by selecting suitable and high quality food products some years ago. Four Seas branded products include Four Seas Seaweed, Seaweed Corn Crisp, Milk Candy, Green Tea Candy, Camanbel Cheese Tara, Biscuit Stick, Soya Milk, Cola Candy, Fruity Jam Pie, Bubble Gum, Cake, Prawn Cracker, San Rap Ton, Plum

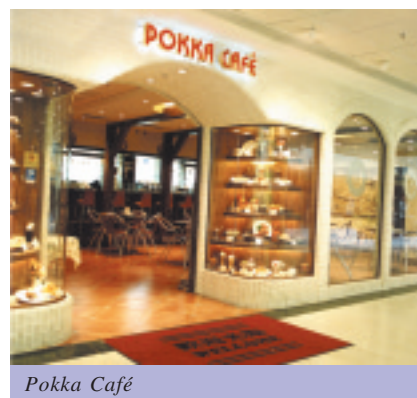


Four Seas branded products

Wine, Choco and Coffee Biscuit, Ice Mint, Fruity Bix Bar, Provita Biscuits, Daifuku Marshmallow, Assorted Biscuits, Fish Sausage, Mini Cup Noodle, Big Bowl Noodle, Fried Noodle, Japanese Udon as well as Pokka Four Seas Pulpy C Orange Juice and Coffee. Through its extensive distribution network and active promotional activities, sale of Four Seas branded products continues to grow and make good contribution. FSMHL will continue to actively develop the Four Seas branded products.

Pokka Café and Restaurant

The Pokka café and restaurant chain is a joint venture business with Pokka Corporation of Japan. Since its establishment in 1991, it has been widely received and built a popular brand name among customers. Currently, there are 18 shops located in Mainland China, Hong Kong and Macau. Attributable to its delicious foods, innovative settings of the shops, excellent management



Pokka Café

and a sound membership system, it has stable customers as well as attracted a stream of new customers, resulting in satisfactory growth and good profit contribution.

PROSPECTS

Looking ahead, the Group will continue to focus on developing the frozen meat business in both Mainland China and Hong Kong by actively introducing more high quality meat products. Equally, the Group will aggressively develop marine and meat products, particularly in processed meat product line, to broaden its revenue and earning stream. Through its shareholding in FSMHL, the Group will continue to closely participate in the development of food industry. The Group is full of confidence in the businesses of FSMHL and expects that it will continue to contribute promising return to the Group. The board of directors is confident of the prospect of the Group.

APPRECIATION

I would like to take this opportunity to express my gratitude to 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