

## CHAIRMAN'S STATEMENT



TAI Tak Fung, Stephen, *Chairman*

### RESULTS

On behalf of the Board, I am pleased to announce that the Group's audited consolidated profit attributable to the shareholders for the financial year ended 31 March 2003 was HK\$32,830,000 (2002: HK\$27,988,000), representing an increase of 17% over that of last year. The Group's earnings per share was HK13.25 cents (2002: HK11.29 cents).

### DIVIDENDS

The board of directors recommended a payment of final dividend of HK3.0 cents per ordinary share (2002: HK2.0 cents) to shareholders on the register at the close of business on 2 September 2003. Together with the interim dividend of HK1.0 cent, total dividends distribution for the year ended 31 March 2003 will be HK4.0 cents per ordinary share (2002: HK3 cents). Subject to the shareholders' approval at the annual general meeting, the final dividend will be payable on 15 September 2003.

### BUSINESS REVIEW

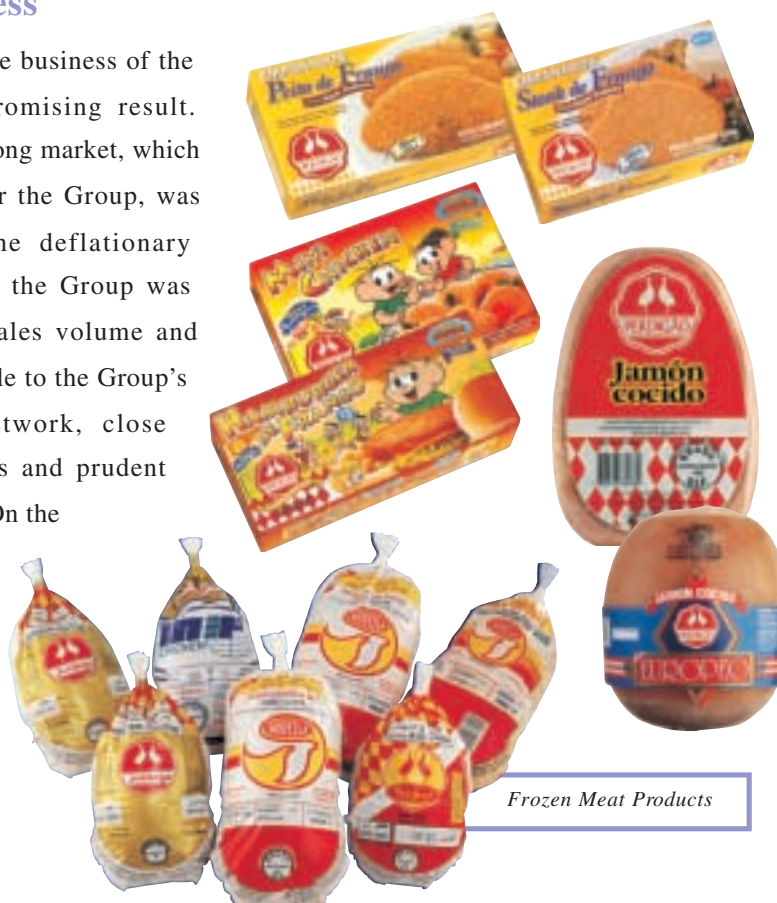
In the past year, the Group achieved an outstanding performance in its frozen meat trading business, amid a tough economic time in Hong Kong. The Group was able to deliver satisfactory operating profit of HK\$19,343,000 from its frozen meat trading business, attributable to its distinctive trading experience and a strong distribution network.

Besides, the Group's equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") continued to make stable contribution to the Group. For the year under review, the Group's share of profit was HK\$20,734,000.

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### Frozen Meat Business

Frozen meat trading, the core business of the Group, has achieved a promising result. During the year, the Hong Kong market, which is still the major market for the Group, was adversely impacted by the deflationary environment. Nevertheless, the Group was able to increase both its sales volume and profits, which was attributable to the Group's extensive distribution network, close relationship with customers and prudent purchase and sales policies. On the other hand, the increasing demand of high quality frozen meat products in the PRC market has also enhanced the sales and profits of the frozen meat business.



### Investment in Food Business

Through its equity interest in FSMHL, the Group is able to participate in diversified food businesses, widened ranges of food products and enlarged customer base to achieve greater operational efficiency. The Group is able to enjoy a stable and long term profit contribution. For this reason, the Group has increased its equity interest in FSMHL from 26.30% in last year to 26.70% as at year end.

In the past few years, FSMHL has already stepped up its investments in food production factories. By now, FSMHL has already built up a production base of fourteen modern food factories in the PRC which are under professional management. The competitive edges brought from the superior quality, effective production costs control, flexible pricing policies and active launching of marketing and promotional activities have enhanced the popularity of the products and the profits generated.

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### Food Distribution

Food distribution remains the core business of FSMHL and continues to lead the food market through its extensive network, comprising supermarket chains, department stores, convenience stores, wholesalers, retailers, hotels and airlines. In addition, the active launching of advertising campaigns, promotional and marketing activities and aggressive introduction of trendy food products to the consumers have further strengthened its leadership position in the market.

Gummy Candy and chocolate from Meiji Seika, Japan



The snack food specialty chain stores, “Okashi Land”, have effectively introduced new and trendy Japanese snacks to the younger generation consumers. This chain has already become the most popular marketplace for young people to buy their favorite Japanese trendy snack products.

Harvest Biscuits made by Tohato, Japan



Biscuit Stick made by Ezaki Glico, Japan



Health foods produced by Morishita Jintan, Japan



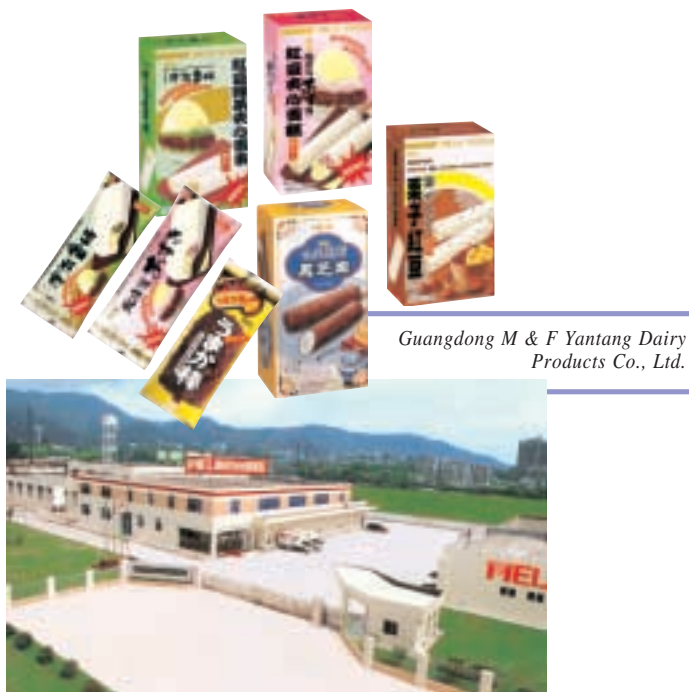
Four Seas Jintan Capsule Gummy



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### Food Manufacturing

FSMHL has already invested in a total of 17 food factories, of which 14 factories are in the PRC and 3 factories are in Hong Kong. In meeting with the increasing demand of quality food in the PRC, FSMHL has set up another joint venture factory with Calbee in Shantou, PRC in July 2003. Meanwhile, FSMHL has also set up the regional headquarter and distribution centre in Shantou to efficiently manage its rapid development in sales and marketing and logistic activities in the PRC.



*Guangdong M & F Yantang Dairy Products Co., Ltd.*

FSMHL has a distinct food manufacturing business. Food products manufactured by these factories include seaweed, high quality candies, snacks and confectioneries, instant noodles, ice cream, beverages, ham and sausages, biscuits, bread and cakes. These superior quality products have always been well received by the consumers, leading to an increasing demand in the market.



*Nico Four Seas (Shantou) Co. Ltd.*



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

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FSMHL has actively sought for good investment opportunities to expand its food business portfolio, particularly in the food manufacturing business in the PRC.

In order to obtain full flexibility in determining its future development plan, FSMHL has increased its equity interest in a candy factory by 51%. It has also acquired the remaining 49% of the



The Calbee Four Seas Factory in Tseung Kwan O

equity interest of the Li Fook (Qingdao) Foods Co., Ltd., which specialises in producing Four Seas brand instant noodles.



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



Li Fook (Qingdao) Foods Co., Ltd.



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### Four Seas Brand Products

Four Seas brand products have already gained very high reputation from consumers in both Hong Kong and the PRC, benefiting from FSMHL's concerted efforts in promoting new and high quality food products in the market under a series of large-scale promotional campaigns to strengthen the brand awareness. The Group believes that the sales of Four Seas brand products will continue to increase significantly in the PRC market, leveraging on FSMHL's local production base and the fast growing local economy and great demand for high quality food.



*Four Seas brand products*

Four Seas brand has won various local and international recognitions. These awards include "Superbrands Hong Kong 2002", "Golden Asia Award for Excellence", "2002 Hong Kong Top Ten Brandnames Awards", "2002 Hong Kong 10 Supermarket Favourite Brand" and the "No.1 Brand Award". Besides, FSMHL will host the "Four Seas International Food Expo" at the Hong Kong Convention and Exhibition Centre in the coming November. It is the first of its kind for a food company to conduct such a large-scale food expo in Hong Kong.

### Pokka Café and Restaurant

The Pokka café and restaurant chain located in Hong Kong, Macau and the PRC has maintained its popularity among the younger generation customers due to its long established reputation for ambient environment and delicious cuisine. This chain continues to contribute

positively to FSMHL.



*Pokka Café*

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### PROSPECTS

The Group is a distinct listed food company on the Stock Exchange. The Group commands a leading position in the food market, benefiting from its extensive food trading and marketing experience, a strong distribution network and close relationship with customers. Notwithstanding the challenging operating environment that we are facing in Hong Kong, the management will continue to enlarge its client base by leveraging on its distinctive and competitive edges and will continue by all means to maintain the Group's leadership position.

Following the fast growing economy in the PRC and the rising disposable income level of the people, the demand for high quality food products is expected to increase rapidly in this market. The Group will utilise its financial strengths and expertise in the industry to capture the enormous potential of the food market in the PRC. The Group will strive for improving the sales and profits in the PRC and Hong Kong markets.

### 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.

By order of the Board

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

*Chairman*

Hong Kong, 23 July 2003