

# Chairman's Statement



TAI Tak Fung, Stephen, *Chairman*

## RESULTS

I, on behalf of the board of directors, announce that turnover for the financial year ended 31 March 2003 increased by approximately 6% reaching HK\$1,249,639,000 and net profit attributable to the shareholders was HK\$64,569,000 representing a decrease of 19% as compared to that of last financial year.

## DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK4.6 cents per share (2002: HK4.6 cents) in respect of the financial year ended 31 March 2003. Subject to shareholders' approval at the annual general meeting to be held on 2 September 2003, the final dividend will be payable on 15 September 2003. Together with the interim dividend of HK2.0 cents per share, the total distribution for the financial year ended 31 March 2003 will be HK6.6 cents per share.

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## BUSINESS REVIEW

Under the dedicated efforts in developing the Mainland China market for the past few years, demand for products of the manufacturing plants in Mainland China continued to grow with increasing popularity of the well-received brand name of Four Seas. This, together with the fast growing economy, the continuous rising of personal dispensable income, and the strong demand for food products in Mainland China, has attributed to the increase in sales in this market. During the year, turnover in the Mainland China market increased significantly by 62% and also represented approximately 29% of the Group's turnover. However, the economy of Hong Kong continued to be depressed with sluggish spending sentiment which had in turn affected the sales in this market. Despite the decrease in the sales of the Hong Kong market, the Group recorded a 6% increase in its overall turnover. This was attributable to the significant growth in sales in the Mainland China market.

During the year, the fluctuation of the Japanese Yen had imposed much pressure on the Group's profit margin. The adverse impact caused by this currency fluctuation was partially offset by the strong growth in the sales of the Group's own manufactured products in the



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



*Pokka Four Seas Milk Coffee  
– Stephen Chau,  
famous international movie star*



*Four Seas Seaweed Instant Noodles  
– Jessica Hsuan,  
Hong Kong famous TV & movie star*



*Four Seas Seaweed  
– Kenix Kwok, Hong Kong famous  
TV and movie star*



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



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



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

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Mainland China market. The Group will continue to expand its sales in the Mainland China market aggressively through a series of active marketing and promotional activities and more flexible marketing strategy. The Directors believe that in light of the fast growing economy in the Mainland China market, this market will be able to deliver satisfactory results to the Group in the long term.

*Gummy Candy and Chocolate from Meiji Seika, Japan*



## FOOD DISTRIBUTION

Food products distribution continued to be the core business of the Group. The Group has already built up an extensive distribution network which includes department stores, supermarket chains, convenience stores, wholesalers, retailers, restaurants, hotel and airlines.

*Harvest Biscuits made by Tohato, Japan*



*Biscuit Stick made by Ezaki Glico, Japan*



Despite the weak spending sentiment in Hong Kong, the Group continued to introduce new varieties of superior quality food products to the market and actively launched a series of marketing and promotional activities to further enhance the Group's leading position in this market.

In Mainland China, hyper stores and supermarket chains have rapidly developed and become the most popular marketplaces for consumers. Given such enormous business opportunity, the Group has been aggressively increasing its efforts in launching various kinds of marketing and promotional activities to market our high quality food products to the consumers. As these products are well-received, sales in the Mainland China market increased significantly.

In order to strengthen the production and logistic management of the Group's fourteen manufacturing plants and better co-ordinate its sales and marketing activities in response to the fast growing operation in Mainland China, in July 2003, the Group opened its new Four Seas Group Guangdong Province Headquarter in Shantou.

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The Group has successfully developed an effective channel to introduce new and trendy Japanese snack food products to the consumers through its snack food specialty chain stores, “Okashi Land”. Following the introduction of “Meiji Melty Kiss Chocolate”, Okashi Land has again successfully introduced “Meiji Beckham Almond Chocolate” to the market with very encouraging results. Okashi Land has already become the most attractive spot for today’s youngsters seeking latest trendy snack food products.



Health foods produced  
by Morishita Jintan,  
Japan

Four Seas Jintan  
Capsule Gummy

## FOOD MANUFACTURING

To cope with the fast growing demand of snack food products in Mainland China, the Group has built and newly opened Calbee Four Seas factory in Shantou in July 2003 to ensure sustainable development of the Group in the long term. The Group now owns a total of seventeen manufacturing plants of which fourteen are in Mainland China and the remaining three are in Hong Kong. Under the Group’s dedicated and competent management, these manufacturing plants performed satisfactorily and contributed to the Group during the year. The excellence of these manufacturing plants have attracted various recognition and awards including “The Certificate of Important Industrial Enterprise”, “2002 Trustful Enterprise On

Contract Implementation”, “Creditable-Quality Food Products in the Nation”, “Creditable-Quality Enterprise”, “2002 HKPC Productivity Award” and a bronze award of “Good House Keeping Plan”.

Nico Four Seas (Shantou)  
Company Limited





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The Group's food manufacturing plants are distinct in product ranges and high quality food products at competitive prices. A broad spectrum of products is manufactured, including seaweed, high quality candies, snacks and confectioneries, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cakes and bread. Through active conducting of marketing and promotion activities in major cities in Mainland China, both turnover and profit of these manufacturing plants achieved satisfactory growth.



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



*The Calbee Four Seas Factory in Tseung Kwan O*



*Pokka Four Seas (Suzhou) Food Company Limited*

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*Kanro Four Seas Foods  
(Shantou) Company Limited*



The Group has always been looking for investment opportunities to expand its production base in

Mainland China.

During the year, the Group further acquired 51% equity interest in a manufacturing plant in Mainland China, which

specialises in producing high quality candies. Also, the Group increased its investment in different kinds of food businesses. In May 2003, the Group acquired the remaining 49% equity interest in Li Fook (Qingdao) Foods

Co., Ltd., ("Li Fook") which

specialises in producing "Four

Seas" brand instant

noodles, turning Li

Fook into a wholly-

owned subsidiary. This

will give the Group full

flexibility to determine Li

Fook's future development

plan.



*Li Fook (Qingdao)  
Foods Company  
Limited*



## FOUR SEAS BRAND



*Four Seas brand products*

Under the dedicated development of the Group, Four Seas brand is famous in both the Mainland China and Hong Kong markets. The products are very popular and are well-received by the consumers. At present, sales of Four Seas brand products represent approximately 15% of the Group's turnover. Capitalising on the advantages of the fourteen manufacturing

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*Four Seas Group was awarded "Superbrand"*

plants which produce high quality Four Seas brand products at competitive pricing strategy and the fast growing potential market in Mainland China, it is expected that sales of Four Seas brand products will increase significantly.

Four Seas brand received various awards in Mainland China and Hong Kong such as "Superbrands Hong Kong 2002", the "Golden Asia

Award for Excellence", "2002 Hong Kong Top Ten Brandnames Awards", "2002 HK 10 Supermarket Favorite Brand" and "No. 1 Brand". The success of Four Seas brand in achieving popularity among consumers is attributable to the high quality Four Seas brand food products, and the successful marketing and promotion strategy. The Group also actively launches large-scale marketing campaigns to enhance the recognition of Four Seas brand in the markets.

In order to widen the range of Four Seas brand products and to explore the instant noodle market in Mainland China and Hong Kong, the Group has developed a series of Four Seas brand instant noodles, particularly "Four Seas Seaweed Noodle", which are well-accepted by the consumers. The Group will fully utilise its wholly-owned instant noodle factory and deploy more resources to capture the vast opportunities in instant noodle market to make this product another success story.



*Golden Asia Award for Excellence*



*Hong Kong Top Ten Brandnames Award*

The well-received responses from the consumers on the recently-launched "Four Seas Seaweed Instant Noodle" and "Four Seas Jintan Capsule Gummy" were encouraging. Currently, Four Seas brand series include Four Seas Seaweed, Four Seas Seaweed Noodle, Four Seas Seaweed Wheat Biscuit, 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 Rap Ton, Sky Tablet, Plum Wine, Choco and Coffee Biscuit, Ice Mint, Fruity Bix Bar, Provita Biscuit, Daifuku

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Marshmallow, Assorted Biscuits, Fish Sausage, Milk Candy, Mini Cup Noodle, Bowl Noodle, Big Bowl Noodle, Fried Noodle, Japanese Udon, Four Seas Jintan Salacia Diet, Four Seas Jintan Bifidus, Four Seas Jintan DHA/EPA and Four Seas Jintan Capsule Gummy.

Meanwhile, the Group is organising the "Four Seas International Food Expo" which will be held in November 2003. The Board believes that the Group is a pioneer food enterprise in Hong Kong in conducting singly such a large-scale food expo in the Hong Kong Convention and Exhibition Centre.



*Active participation in food exhibition*



*Pokka Café*

## POKKA CAFÉ

The Pokka Café chain, located in Mainland China, Hong Kong and Macau, has established a good reputation among the patronage of the young generation. Due to the weak economy, sluggish spending sentiment and keen competition in these markets, the profit contribution from this chain to the Group decreased during the year.

## PROSPECTS

Despite the fact that the business environment in Hong Kong remains challenging, the Directors are still optimistic on the potential of this market. Leveraging on the Group's leadership position in the Hong Kong food market, over thirty years of knowledge and experience in marketing food products, an extensive distribution network and a broad spectrum of famous and high quality food items, the Group will use its best endeavour to enhance its leading position in this market.



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Due to the fast growing economy and the continued rising personal dispensable income in Mainland China, the demand of high quality food products will further increase which will provide the Group with vast business opportunities. The Group is full of confidence and is ready to accelerate its development in such fast growing potential market. The Group will utilise the recently opened Four Seas Group Guangdong Province Headquarter in Shantou to efficiently manage sales and marketing, logistic management and production in Mainland China. In addition, the Group will provide training programs to local senior executives to enhance their management skills to cope with the Group's fast development.

The Group not only distributes hundreds of famous high quality products from many countries around the world but also produces and sells food products manufactured by its own factories. The Group will focus on the lines of businesses in trading of food materials, food manufacturing, food product distribution, and restaurant chain businesses. Looking forward, the Group will continue to explore further opportunities in the Mainland China and Hong Kong markets so as to maintain its leading position in the food industry. As a distinct food company listed on the Stock Exchange of Hong Kong, with an extensive portfolio in food businesses, the management is optimistic about and has full confidence in the Group's future development.

## 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 diligence and dedication to the Group in the past year.

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

Hong Kong, 23 July 2003