

Chairman's Statement



TAI Tak Fung, Stephen, *Chairman*

RESULTS

I, on behalf of the board of directors, am pleased to announce that turnover of the Group for the financial year ended 31 March 2004 was HK\$1,389,343,000 (2003: HK\$1,249,639,000) representing approximately an 11% increase as compared with last financial year. Net profit attributable to shareholders slightly increased to HK\$64,763,000 (2003 – restated: HK\$63,519,000).

DIVIDEND

The board of directors has recommended the payment of a final dividend of HK4.6 cents per share (2003: HK4.6 cents) in respect of the financial year ended 31 March 2004. Subject to shareholders' approval at the annual general meeting to be held on 2 September 2004, the final dividend will be payable on 15 September 2004. Together with the interim dividend of HK2.0 cents per share, the total distribution for the financial year ended 31 March 2004 is HK6.6 cents per share.

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BUSINESS REVIEW

With the dedicated commitment in the business development over the past thirty years, the Group has developed into one of the most well-established and prestigious food enterprises in Hong Kong. Turnover in the Hong Kong market maintained a satisfactory growth during the year. This was attributable to the Group's wealth of experience in the food industry, extensive distribution network and diversification of business segments. However, the increase in turnover was partly offset by the increase in the costs of food products imported from Japan during the year, which was caused by the fluctuations of Japanese Yen, and has eroded into the gross profit margin. On this front, it is expected that the level of imported food products will gradually reduce as the Group has already set up a number of food manufacturing plants in Mainland China with various renowned Japanese food manufacturers in the past few years. As such, the adverse impact on the profit margin brought by the fluctuations of Japanese Yen could be alleviated. The competitiveness of the Group's products could also be improved.



Four Seas Seaweed Hot & Spicy Instant Noodle – Andy Hui, Hong Kong famous singer and movie star



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



Four Seas Seaweed Rice Stick – Nolasco Da Silva Luisa Isabella, Hong Kong idol singer



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



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



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



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



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



Bo Bo Tea – Jackie Chan, famous international movie star

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While the Group continues to strengthen its leading position in Hong Kong, it has also been devoting significant efforts in exploring the market in Mainland China. The Group's aggressive marketing and promotional strategy, together with the increasing market awareness of Four Seas brand and the high quality of food products manufactured by the Group's factories in Mainland China, leads to a continual growth of turnover in the Mainland China market. Despite the significant increase in turnover in the Mainland China market, profit margin generated from the Mainland China market has been affected by the increase in raw material prices during the year, which has partly offset the profit contribution from the Mainland China market.

FOOD DISTRIBUTION

Among the various businesses of the Group, food distribution continues to be the core business. With its dedicated commitment to continuous improvement, the Group has established its reputation in the industry and built up a strong and extensive distribution and supply network, which forms an invaluable asset of the Group. The distribution network comprises department stores, supermarket chains, convenience stores, fast food chains, wholesalers, retailers, restaurants, hotels and airlines. Through its extensive international supply network, the Group has sourced hundreds of well-known and high quality food products from all parts of the world. The Group continues to stay at the forefront in introducing new varieties of superior quality food products to the consumers. Coupled with its aggressive marketing and promotional activities, the Group continues to maintain its leading position in the Hong Kong food industry.

Gummy Candy and Meltykiss chocolate from Meiji Seika, Japan



Biscuit Stick made by Ezaki Glico, Japan

In Mainland China, the increasing affluence of the people has led to increased household spending and demand for higher quality food products. In addition, the fast growth of hyper stores and supermarket chains provides an excellent marketplace to the Group to launch and market its products, thus enhancing the sales of the Group.

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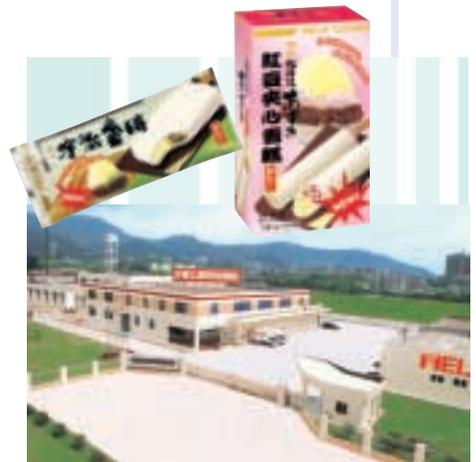
The Group persistently brings to consumers new and trendy Japanese snack foods through Okashi Land, which remains the most popular outlet for the latest trendy snack foods. During the year, Okashi Land was awarded “Superbrands Hong Kong 2004” for its specialty on trendy snack food products and popular shopping place.

FOOD MANUFACTURING

The Group also devotes significant efforts in enhancing the productivity of its manufacturing plants so as to cope with the increasing demand for the Group's products and to lay a solid ground for further development in future. Currently, the Group 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 have been producing different kinds of high quality food products, which are not only well received by the consumers in both Mainland China and Hong Kong, but also attracted various recognition and awards including “Creditable-Quality Food Products in Nation”, “Creditable-Quality Enterprise” and “Certified for the Q-Mark Scheme for over Ten Years”, which further enforce consumers' confidence in our products.



Nico Four Seas (Shantou) Co. Ltd.



Guangdong M & F-Yantang Dairy Products Co. Ltd.



Pokka Four Seas (Suzhou) Food Co. Ltd.

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The Calbee Four Seas Factory in Tseung Kwan O

To cope with the Group's business development in Mainland China, the Calbee Four Seas Factory was built in Shantou during the year, and the sales of "Prawn Cracker" and "Grill-A-Corn" were satisfactory. With the increasing demand for Calbee products, the Group plans to set up a new production line in the factory to produce potato chips. The Group also plans to add another production line in Li Fook (Qingdao) Foods Co., Ltd. which became the Group's wholly-owned subsidiary during the year, so as to cope with the strong demand for Four Seas brand instant noodle.



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



Li Fook (Qingdao) Foods Co., Ltd.

FOUR SEAS BRAND

Four Seas brand is not just well recognised in the Hong Kong market, it is also well-known to the consumers in Mainland China. Four Seas brand was named the winner of various prestigious awards, including “Superbrands Hong Kong 2002”, “the Golden Asia Award for Excellence”, “2002 Hong Kong Top Ten Brandnames Awards”, “2002 HK 10 Supermarkets Favorite Brand” and “No. 1 Brand”. Four Seas brand now covers a broad spectrum of food products including seaweed, candies, snacks and confectioneries, instant noodles, beverages, biscuits and cakes which are well received by the consumers in Mainland China and Hong Kong.



Four Seas brand products

The Group is committed to develop the enormous instant noodle market in Mainland China and Hong Kong and has originated a series of Four Seas brand instant noodle. The launching of Four Seas brand instant noodle, particularly “Four Seas Seaweed Hot & Spicy Instant Noodle”, was well received by the consumers. By now Four Seas brand instant noodle has become one of the most well-known brands in the instant noodle market.



Four Seas Seaweed Hot & Spicy Instant Noodle was awarded “The Most Popular TVCF Theme Song Award” in the Top Ten TVCF Prize Presentation Ceremony



Many honourable guests officiate at the opening ceremony of Four Seas International Food Expo.

During the financial year, the Group successfully conducted the “Four Seas International Food Expo”. The Group is a pioneer in the Hong Kong food industry to solely conduct such a large-scale food exhibition in the Hong Kong Convention and

Exhibition Centre. The Group’s corporate image as well as Four Seas brand has been further enhanced among the local and international peers.



Active participation in food exhibition

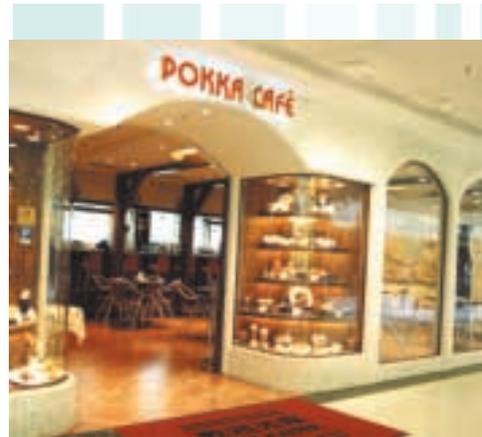
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RESTAURANT CHAIN

The Pokka Café chain in Mainland China, Hong Kong and Macau developed by the Group with Pokka Corporation, has continued to be well received by the customers. This restaurant chain has performed satisfactorily during the year.

The Group has been expanding its catering businesses to Shanghai vegetarian cuisine and traditional Japanese cuisine. After acquiring Kung Tak Lam Shanghai Vegetarian Cuisine Limited (“Kung Tak Lam”), the Group has been strengthening its operation by introducing a series of creative vegetarian dishes, enhancing its image through promotional and marketing activities and upgrading the quality of services by conducting hospitality training to staff. Kung Tak Lam is not only a popular place for the health conscious customers; it has also successfully attracted a group of young customers. It is expected that Kung Tak Lam will have a prosperous future.

The Group also established a Japanese restaurant during the year, namely, Yutaka, featuring elegant decoration and spacious environment, and has gained high appreciation from the industry. The restaurant provides a comprehensive menu of fine traditional Japanese cuisine and high quality service, which has received encouraging feedback from the customers since its operation. The Group believes there is immense potential in the development of the catering operation and will benefit the Group in future.



Pokka Café



Kung Tak Lam Shanghai Vegetarian Cuisine



Yutaka Japanese Dining Bar

PROSPECTS

As a leading food enterprise, the Group continues to explore and develop various segments of the food industry including food supply, manufacturing, trading and distribution, coffee shop and restaurant. With the gradual recovery of the Hong Kong economy, the Group will continue to leverage on its commanding position in the food industry in Hong Kong and its over thirty years of extensive experience in food industry and continue to capture the business opportunities brought from the recovery of the local economy.

The food market in Mainland China poses immense potential and opportunities to the Group. The Group is committed to aggressively develop the Mainland China market and enhance its market position by capitalising the fourteen well-established manufacturing plants located in Mainland China to produce high quality food products and utilises its newly built Four Seas Group Guangdong Province Headquarters to develop the local market.

The Group is a distinct food company listed on the Stock Exchange of Hong Kong, with diversified operations in the food industry. Capitalising on the Group's excellent financial strength, prudent management strategy and leading position in the market, the Group will continue to explore the markets in both Mainland China and Hong Kong so as to maintain its dominant position in the food industry. The management is optimistic and has full confidence in the Group's future development.



Four Seas Group Guangdong Province Headquarters

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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, JP

Chairman

Hong Kong, 20 July 2004