

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September 2004, the Group's turnover grew by 19% to HK\$751,426,000 (2003: HK\$630,364,000) as compared with same period last year. The net profit attributable to shareholders had a 14% increase to HK\$41,439,000 (2003: HK\$36,310,000).

During the period, turnover in both Hong Kong and Mainland China had a satisfactory increase. The continuous recovery in Hong Kong market conditions improved consumers' spending confidence which helped to boost the local sales. The Group captured such favourable market conditions by utilising its extensive distribution network, aggressive marketing and promotional activities and diversification of business segments. As a result, turnover in Hong Kong recorded an increase of 13%, reaching HK\$495,024,000. On the other hand, benefited from the advantage of the well established production base of manufacturing plants invested in Mainland China by the Group, the efficient market information obtained through Four Seas Group Guangdong Province Headquarter and the increasing awareness and popularity of Four Seas brand, turnover in Mainland China achieved a strong growth of 34% to HK\$256,402,000 with a considerable increase of 260% in the profit to HK\$17,706,000.

Food products distribution continues to be the core business of the Group. Leveraging on its commanding position in the food industry in Hong Kong and an extensive and comprehensive distribution network, the Group continued to introduce various kinds of high quality food products to the market. Coupled with the launching of aggressive promotional activities and the gradual improvement of spending sentiment, the food products distribution business in Hong Kong performed satisfactorily and maintained a steady growth in the turnover. Moreover, Okashi Land continues to introduce new and trendy snack foods to the consumers and remains the most popular shopping place for the latest trendy snack foods. Okashi Land was awarded "Superbrands Hong Kong 2004" for its specialty on trendy snack food products and popular outlet. In Mainland China, Four Seas brand has been a famous brand in the market and its products are well received by the consumers. Coupled with the launching of a series of aggressive marketing and promotional activities to promote sales, turnover in Mainland China increased sharply.

The Group now owns a total of seventeen food manufacturing plants in Mainland China and Hong Kong under its food manufacturing business. Their performances were satisfactory during the period under review. In order to cope with the increasing demand for the Group's products, the manufacturing plants had begun to expand their production capacities during the period. The Calbee Four Seas factory in Shantou has set up a new production line to produce potato chips. Due to the continual increase in demand for Four Seas brand instant noodle, Li Fook (Qingdao) Foods Co., Limited adds another production line so as to increase the production capacity. In addition, the recently launched Four Seas brand crackers produced by Tsun Fat (Huizhou) Biscuit Factory Limited has been well-accepted by the consumers in Mainland China and Hong Kong. As a result, an additional production line has been added to cope with the strong demand. The Group's manufacturing plants produce a vast spectrum of high quality food products under stringent quality control which attracted various recognition in and awards for the quality of the products. This enforces consumers' confidence in our products and leads to a continual increase in sales in both Mainland China and Hong Kong.

BUSINESS REVIEW AND PROSPECTS (*Continued*)

The renowned Four Seas brand has always been a very popular brand name in both the Hong Kong and Mainland China markets while Four Seas brand products continue to be widely accepted by the consumers. Meantime, the Group has been chosen as one of the 20 choices for the “Hong Kong Outstanding Enterprises Parade 2004” by Economic Digest. During the period, the Group continued to aim at expanding the series of Four Seas brand products. Apart from the success of promoting the “Four Seas brand instant noodles”, the Group has recently devoted to develop a series of Four Seas brand crackers including “Seaweed Crackers”, “Saltine Crackers” and “Sesame Crackers”. With a series of extensive marketing and advertising campaign, Four Seas brand crackers have been well received by the consumers and the responses are encouraging.

Regarding the café and restaurant business, the Pokka Café Chain jointly developed with Pokka Corporation of Japan performed satisfactorily during the period. Moreover, the restaurants solely invested by the Group, namely, Kung Tak Lam Shanghai Vegetarian Cuisine Restaurant and Yutaka Japanese Dining Bar, which specialise in Shanghai vegetarian cuisine and traditional Japanese cuisine, also had satisfactory performance. These restaurants provide delicious and quality cuisine with high standard of services, elegant and comfortable environment and continue to receive encouraging feedback from the customers.

Looking forward, the gradual recovery of the Hong Kong economy and the improvement of the local spending sentiment provide a favourable business environment to the Group. The Group will capture this business opportunity by leveraging on its over thirty-three years of extensive experience in the food industry in Hong Kong and its excellent financial strength. At the same time, the growth momentum of the economy in Mainland China will help to boost the local consumption and will provide an immense potential opportunities to the Group’s food manufacturing business. Capitalising on the high reputation of Four Seas brand in the market and the well established production base of fourteen modernised manufacturing plants, the Group is committed to aggressively develop the Mainland China market so as to enhance its leading position in the market. The management is optimistic and has full confidence in the Group’s future development.