

# Chairman's Statement

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TAI Tak Fung, Stephen, **Chairman**

## RESULTS

I, on behalf of the board of directors, am pleased to announce that the turnover of the Group for the financial year ended 31 March 2005 was HK\$1,561,785,000 (2004: HK\$1,389,343,000) representing a 12% increase as compared with last financial year. Net profit from ordinary activities attributable to shareholders increased to HK\$80,720,000 (2004: HK\$64,763,000).

## DIVIDEND

The board of directors has recommended the payment of a final dividend of HK5.0 cents per share (2004: HK4.6 cents) in respect of the financial year ended 31 March 2005. Subject to shareholders' approval at the annual general meeting to be held on 1 September 2005, the final dividend will be payable on 15 September 2005. Together with the interim dividend of HK2.0 cents per share, the total distribution for the financial year ended 31 March 2005 is HK7.0 cents per share.

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### BUSINESS REVIEW

The recovery of the economy in Hong Kong and the rapid increase in consumers' spending in the Mainland China market has made the dynamic and aggressive marketing strategies even more effective. Benefited from this, the Group achieved a satisfactory result during the year under review.

Over the past year, the economic environment of Hong Kong has been continuously improving, powered by the rising consumption power of local consumers and the number of inward bound tourists, leading to a boost of

local sales. The Group captured such a favourable market condition with its extensive distribution network, diversified range of products and business segments, and aggressive marketing and promotional activities. As a result, turnover in Hong Kong sustained a steady growth to HK\$1,069,275,000, which brought a satisfactory increase in the profit.



Four Seas Crackers –  
Karen Lam, Hong Kong  
famous movie star



Four Seas Pokka Premium  
Coffee – Andy Hui, Hong Kong  
famous singer and movie star



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



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



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



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



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



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



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



Bo Bo Tea – Jackie Chan,  
famous international  
movie star



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

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During the year under review, the Group also achieved a satisfactory sales growth in the Mainland China market. This was attributable to the persistent growth in local economy, an increase in local consumption and a strong demand for high quality food products. With dedicated commitments in business development over the past years, the Group had gained an extensive experience and information in the Mainland China market. Through the launching of aggressive marketing and promotional activities as well as the commitment of high quality food products, Four Seas brand products are well received in the market which in turn increasing the market share. As such, sales in Mainland China had a considerable growth to HK\$492,510,000, with an increase in the profit to HK\$20,845,000.

### FOOD DISTRIBUTION

Food distribution continues to be the core business of the Group. With its solid commitment to continuous improvement, the Group has established good reputation in the industry and distributes hundreds of various kinds of famous high quality food products from many countries. Utilising its strong and extensive distribution network of department stores, supermarket chains, convenience stores, fast food chains, wholesalers, retailers, restaurants, hotel and airlines, the Group continues to be at the forefront of introducing different varieties of superior quality food products to the consumers. Coupled with its aggressive marketing and promotional strategies, the Group continues to maintain sales growth and further enhances its leading position in this market.



Gummy Candy and Meltykiss chocolate from Meiji Seika, Japan



Biscuit Stick made by Ezaki Glico, Japan

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

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In order to cope with the strong demand for high quality food products in Mainland China that was brought forth by the persistent economic growth and the fast growth of hyper stores and supermarket chains, the Group has been utilising the Four Seas Group Guangdong Province Headquarter in Shantou to develop new products, obtain up-to-date market information and organise various kinds of effective marketing and promotional activities. Hence, sales in Mainland China continuously increased and the market share was further enhanced.

### FOOD MANUFACTURING

The Group's manufacturing plants provide a unique position to manufacture a broad spectrum of products including seaweed, high quality candies, snacks and confectioneries, peanuts, potato chips, instant

noodles, ice-cream, beverages, ham and sausages, biscuits, cake and bread. Currently, the

Group owns a total of seventeen manufacturing plants in Mainland China and Hong Kong which reinforces the Group's "integrated business model", starting from food materials supply, to manufacturing, to wholesaling and to retailing. This model lays down a solid foundation for the Group's further business development and will bring greater contribution to the Group in the long term.

The Group's manufacturing plants produce a vast spectrum of high quality food products under stringent quality control which attracted

various recognitions in and awards for the high quality of the products.

Those awards include "Creditable-Quality Food Products in Nation", "Creditable-Quality Enterprises" and "Certified for the Q-Mark Scheme for over Ten Years". During the year, the Group also received "Fresh Check Food Safety



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

Certificate Grade A Award” which further enforces consumers’ confidence in our products and leads to a continual increase in sales in both Mainland China and Hong Kong.

To cope with the increasing demand for the Group’s products in both the Mainland China and

Hong Kong markets, certain manufacturing plants had begun the expansion of their production capacities during the year. The Calbee Four Seas factory in Shantou installed a new production line to produce potato chips while the Li Fook (Qingdao) Foods Co., Limited added another production line to increase the production capacity for Four Seas brand instant noodle. In addition the Tsun Fat (Huizhou) Biscuit Factory Limited has set up an additional production line to cope with the strong demand after the successful launch of Four Seas brand crackers.



Kanro Four Seas Foods (Shantou) Co. Ltd.



Li Fook (Qingdao) Foods Co. Ltd.



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### FOUR SEAS BRAND

Known for their superior quality and value for money, Four Seas brand products are well received in the markets and was named the winner of various prestigious awards, including “2004 Shanghai Ten Most Favorites Snacks” for



Four Seas brand products

Four Seas brand seaweed,

“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”.



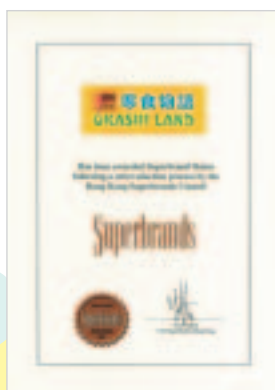
Four Seas has been awarded “Hong Kong Outstanding Enterprise 2004” by the Economic Digest

The Group aims to build the Four Seas brand into a super brand in the markets. The increasing awareness and popularity of Four Seas brand provide an enormous potential for the Group to develop Four Seas brand products and maintain a sustainable growth in sales and contribution. The Group has deployed substantial

resources to develop a wide range of Four Seas brand products with success, such as the launching of a series of marketing and advertising activities for

Four Seas brand instant noodles. The Group has also successfully launched and promoted a series of Four Seas brand crackers through

sponsoring the most popular Hong Kong TV program – “The Super Trio Continues” which was viewed by audience in both Hong Kong and Mainland China. It turned out to be very effective and has greatly promoted Four Seas brand in the markets. Coupled with a series of effective marketing and promotional activities, “Four Seas



Okashi Land has been awarded “Superbrands”

brand” has further strengthened its brand building and positioning in both Mainland China and Hong Kong markets.



Four Seas has been awarded “Caring Company Award” by the Hong Kong Council of Social Service



Four Seas and Hong Kong Ham have been awarded the “Fresh Check Food Safety Certificate Award Grade A”

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### RESTAURANT CHAIN

The Pokka Café chain jointly 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.

After acquiring Kung Tak Lam Shanghai Vegetarian Cuisine Limited ("Kung Tak Lam"), the Group has been strengthening the operation by introducing a series of creative vegetarian dishes and enhancing



Pokka Café



Kung Tak Lam Shanghai Vegetarian Cuisine

the quality of services. Kung Tak Lam is not only a symbol for health cuisine for the health conscious customers, it is also becoming a popular place for the new and younger generation as well.

The Group's Yutaka Japanese Dining Bar continues to provide a comprehensive and fine traditional Japanese cuisine and high quality

service with an elegant decoration and spacious environment which has been well received by the customers.

The Group has completed an acquisition of the entire shares of New Kondo Trading Company Limited ("New Kondo") in May this year. New Kondo has been established for more than thirty-five years and is a pioneer in Japanese food materials supply to most of the Japanese restaurants in Hong Kong. It supplies more than 1000 kinds of Japanese food materials and is a market leader in this industry.



Yutaka Japanese Dining Bar

The Board believes that the acquisition does not only bring synergy to the Group's catering business but also provides another channel to strengthen the catering operation which will enhance the Group's return in future.

## PROSPECTS

The gradual recovery of economic conditions, the increasing number of tourists to Hong Kong, and the continuing improvement in local spending provide a favourable business environment to the Group. By leveraging on the commanding position in the food industry, the extensive distribution network, the renowned brand name and the extensive experience in the food industry, the Group will capture this business opportunity by further exploring and developing various business segments so as to enhance future contribution to the Group.

The fast growing economy in Mainland China poses immense potential and opportunities to boost the Group's sales. Capitalising on the high reputation of Four Seas brand and the fourteen well-established manufacturing plants in Mainland China, the Group is committed to aggressively develop this market via its "integrated business model" through expanding production capacity and aggressively marketing those food products manufactured by its own factories so as to accelerate the development in such fast growing potential market and will become the market leader in the food industry in this market.



Four Seas Group Guangdong Province Headquarters

The Group is a distinct food company listed on The Stock Exchange of Hong Kong Limited, with excellent financial strength and management with vision. In addition to much international recognition for its excellent management and outstanding business achievement, more recently the Group has gained appreciation from one of the major supermarket chains and major banks in Hong Kong for "Long Partnership Award" and "Long-Term Support as Business Partner" respectively. The Group will continue to focus on the development of its diversified operations including food materials supply, manufacturing, trading and distribution, coffee shop and restaurant and to explore the markets 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.



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### APPRECIATION

I would like to take this opportunity to express my gratitude to shareholders for their full support over the past year. Equally, I wish to thank the management and all the staff for their dedication and diligence to the Group over the past year.

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

*Chairman*

Hong Kong, 20 July 2005