



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

RESULTS

On behalf of the Board, I would like to announce that the Group's turnover was approximately HK\$537,547,000 (2005: HK\$539,837,000) for the year ended 31 March 2006. Profit attributable to equity holders of the Company was HK\$17,400,000 (2005 (restated): HK\$38,372,000), a decrease of approximately 55%, while basic earnings per share were HK6.72 cents (2005 (restated): HK15.06 cents).

DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK3.0 cents per ordinary share (2005: HK3.0 cents) with respect to the financial year ended 31 March 2006. Subject to the shareholders' approval at the annual general meeting to be held on 1 September 2006, the final dividend will be payable on 14 September 2006. Together with the interim dividend of HK1.0 cent per ordinary share, the total dividends distribution for the year ended 31 March 2006 will be HK4.0 cents per ordinary share (2005: HK4.0 cents).

Chairman's Statement

BUSINESS REVIEW

For the year under review, the operating environment of frozen meat trading was very volatile. The outbreak of bird flu disease starting in South East Asian countries and then spreading to many European countries led to a significant increase in purchase costs during the year. Meanwhile, pervading news of bird flu disease weakened the consumption of poultry products and thus led to sluggish selling prices. Nevertheless, leveraging an extensive distribution network, a wealth of frozen meat trading experience, premium customer services and an efficient team of management, the Group maintained stable sales for the year. However, under such unfavorable market conditions, profit margins were severely eroded and adversely affected the Group's performance and resulted in an operating loss for the frozen meat trading business.

Apart from the frozen meat trading business, the Group also holds equity interests in Four Seas Mercantile Holdings Limited ("FSMHL"), with a view of diversifying the Group's food business portfolio and providing a stable return to the shareholders. As at 31 March 2006, FSMHL contributed to the Group a share of profits of HK\$25,963,000 (2005: HK\$21,760,000), representing an increase of approximately 19%.

Frozen Meat Trading

Frozen meat trading is the core business of the Group. During the year, frozen meat trading environment was adversely affected by the global and prolonged outbreak of the bird flu disease. The disease has caused severe supply shortages which led to persistently high level of frozen meat costs. In due course, the bird flu disease also adversely affected the consumption sentiment of consumers on poultry products. As a result, the significant increase in frozen meat costs was unable to fully shift to the customers and the profit margins were severely eroded. Nevertheless, the Group has endeavored to maintain stable sales and reduce the impact by leveraging its wealth of frozen meat trading experience, comprehensive distribution network, high quality customer services and efficient costs control to strengthen its competitiveness in the market.



Frozen Meat Products

Food Investment

FSMHL is one of the largest and distinct food enterprises in the industry, with business segments of food distribution, food manufacturing, Four Seas brand products development and catering. Through equity investment in FSMHL, the Group is able to share the profits so as to stabilise the Group's earnings. As at 31 March 2006, the Group's equity interests in FSMHL increased to approximately 27.62%.



Four Seas brand products

Food Distribution

FSMHL distributes various famous and high quality food products sourced from many countries over the world. The development of food distribution has been performing well through its comprehensive distribution channels, broad customer base and aggressive marketing strategies. Furthermore, FSMHL has been growing aggressively its extensive retailing network of Okashi Land specialty chain shops for imported trendy snacks and its own Four Seas brand products. All of these have contributed to the satisfactory growth of this business and consolidated its leadership position in Hong Kong's food industry.

Food Manufacturing

FSMHL made further development during the year. To date, FSMHL has 17 food factories, producing a wide range of high value-added products including seaweed, candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, biscuits, cake and bread, chestnuts, and ham and sausages. As a result, FSMHL is able to further consolidate its unique "integrated business model" by incorporating every aspect of the supply chain from raw materials, manufacturing, distribution through to retail. This production-to-sales integrated business model has greatly sharpened the products' competitive edge, enhanced profit margins, and as a result, provided impetus to the continued success of the operations. During the year, FSMHL has expanded its production capacity by adding new production lines for potato chips, instant bowl noodles and biscuits to cope with the increasing market demand.



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"



Okashi Land has been awarded "Superbrands"



Four Seas has been awarded "Hong Kong Outstanding Enterprise 2005" by the Economic Digest



Four Seas has been awarded "The Outstanding Contribution Award of China National Food Industry"



Certificate of "The Top 10 Famous People of China Innovative Branding Award"



Four Seas has been awarded "The Top 10 Famous People of China Innovative Branding Award"



Four Seas has been awarded "Asia Management Innovation Award"

Chairman's Statement

Following those accolades on “Creditable-Quality Food Products in Nation”, “Creditable-Quality Enterprises”, “Certified for the Q-Mark Scheme for over Ten Years” and “Fresh Check Food Safety Certificate Grade A Award” over the past years, FSMHL also won “Asia Management Innovation Award”, “The Outstanding Contribution Award of China National Food Industry” and “The Top 10 Famous People of China Innovative Branding Award” during the year, in recognition of its leading position in food industry.



The Calbee Four Seas Factory in Tseung Kwan O



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



Li Fook (Qingdao) Foods Co., Ltd.



Nico Four Seas (Shantou) Co., Ltd.



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



Tsun Fat (Huizhou) Biscuit Factory Ltd.



Four Seas sponsored "The Sixth WTO Hong Kong Ministerial Conference 2005"

Four Seas Brand

FSMHL has endeavored to strengthen the Four Seas brand identity and global image. Over the year, FSMHL sponsored the “Four Seas Chelsea Candy – Joey Yung & Jeff Chang Concert”; exclusively organised the “Four Seas International Food Expo 2005” and accepted the invitation of the Hong Kong SAR Government to become a sponsor of “The Sixth WTO Hong Kong Ministerial Conference 2005” for a range of popular Four Seas brand products. Through these events, Four Seas brand image has been further reinforced.

During the year, the newly launched Four Seas Crackers achieved an impressive result. This product won two coveted industry recognitions from the two leading supermarket chains, namely, “Top Ten Favorite Brands” by Wellcome Supermarket, and the “Best New Product Award” by Park’n Shop. It is an unequivocal testimony to the popularity and developmental potential of Four Seas brand products.

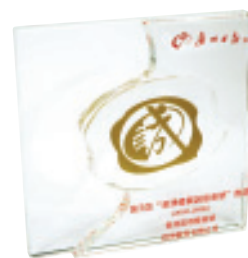
In the fast-growing consumer market in Mainland China, Four Seas brand is also well known for its market leadership position. After such illustrious track records as “2004 Shanghai Ten Most Favorite Snacks” for Four Seas brand seaweed, “Superbrands Hong Kong 2002”, “The Golden Asia Award for Excellence” and the “No. 1 Brand”, Four Seas brand won “The Third Hong Kong & Macau Integrity Award” from Guangzhou Daily.



Four Seas has been awarded “Best New Product Award” by Park’n Shop



Four Seas has been awarded “Top Ten Favorite Brands” by Wellcome Supermarket



Four Seas has been awarded “The Third Hong Kong & Macau Integrity Award” by Guangzhou Daily

Catering Business

FSMHL’s catering business developed satisfactorily during the year. The Pokka Café chain, a joint venture with Pokka Corporation of Japan, sustained a healthy growth of sales during the year, attributable to its continuing popularity among consumers. With innovative cuisines and a beautiful harbour view, Shanghai vegetarian restaurant Kung Tak Lam Shanghai Vegetarian Cuisine Limited has garnered a growing clientele among young consumers and vegetarian tourists. The traditional Japanese restaurant Yutaka Japanese Dining Bar has maintained its competitive edge by serving high-quality original Japanese cuisines with increasingly creative dishes and superior ingredients in a modern and classy environment.

More recently, FSMHL opened an authentic Japanese curry specialist restaurant “Curry Monogatari” in the vibrant Causeway Bay district which has since drawn wide-spread media attention. It not only enhances overall catering operation’s efficiency through better synergy effect, but more importantly it also substantially strengthens FSMHL’s presence in the catering industry and creates further revenue stream.



Curry Monogatari



*Kung Tak Lam
Shanghai Vegetarian Cuisine*



Pokka Café



Yutaka Japanese Dining Bar

Chairman's Statement

PROSPECTS

Looking ahead, the Group continues to commit to actively developing its frozen meat trading business; expanding its sales network and clientele; improving its purchasing strategy and enhancing its management control systems. The Group will strive to consolidate its leadership position to remain competitive in the market and to increase its sales in frozen meat trading.

Following on the rapid economic growth in Mainland China, it is expected that the Hong Kong economy will persistently grow further, benefited by the increasing economic activities between Hong Kong and Mainland China. This will boost the spending sentiment of consumers and benefit our frozen meat trading business. The Group will capitalise on this opportunity to further developing its business. On the other hand, the Group will exercise prudently its management control on costs so as to reduce the impact of any unfavorable external market factors to achieve stable profits.

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, SBS, JP
Chairman

Hong Kong, 19 July 2006