

Chairman's Statement



Dr. TAI Tak Fung, Stephen, SBS, JP, *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 2006 was HK\$1,747,716,000 (2005: HK\$1,561,785,000) representing a 12% increase as compared with the last financial year. The net profit attributable to equity holders of the parent increased to HK\$94,561,000 (2005: HK\$80,720,000).

DIVIDEND

The board of directors has recommended the payment of a final dividend of HK5.0 cents per share (2005: HK5.0 cents) in respect of the financial year ended 31 March 2006. Subject to 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 HK2.0 cents per share, the total distribution for the financial year ended 31 March 2006 is HK7.0 cents per share.

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BUSINESS REVIEW

Year 2005/06 has been one of solid and steady growth for the Group.

With the recovery of Hong Kong economy and strong consumer sentiment, the local retail market has been growing strongly. Capturing such a favourable business environment, the Group has made use of a more aggressive marketing strategy, leveraged its comprehensive distribution network and driven a wider range of product mix to cope with the changing market needs. As a result, the Group has achieved a steady growth in turnover to HK\$1,177,748,000.

At the same time, benefiting from a fast-track retail market in Mainland China and an increasing consumer demand for quality food and reliable product brands, the Group has performed satisfactorily in Mainland China. The good business result is also attributable to the Group's ability to enhance productivity, lower production costs and drive strategic marketing and promotion activities. Four Seas brand products have continuously expanded their market share and raised brand awareness. These brought to the Group a steady sales growth in Mainland China to HK\$569,968,000.



Chairman's Statement

FOOD DISTRIBUTION

Food distribution has all along been the Group's core business. Riding on the Group's renowned reputation in the industry, comprehensive distribution network, a broad customer base and distributorship rights for various famous high quality food products from many countries, the Group is able to achieve major success during the year through strong operational management. Through support from and working together with its business partners, the Group won during the year a "Long Partnership Award" from Wellcome Supermarket. All of these have contributed to the steady growth of the business and consolidated the Group's leading position in Hong Kong's food industry.



Four Seas has been awarded "Long Partnership Award" by Wellcome Supermarket



The Group has been growing aggressively its extensive network Okashi Land retail chain for trendy snacks, selling its own Four Seas brand products as well as other well-known overseas brands it represents. Through expanding the range of innovative products and keeping consumers abreast of the latest in trendy snacks, Okashi Land has established itself as an indisputable leader in the retail snacks marketplace.

The Four Seas Group Guangdong Province Headquarter continued with its strategic role in monitoring market developments, creating innovative products through vigorous research and development, and strategising effective marketing and promotion, the result of which has enabled positive growth of all product categories during the year.



Chairman's Statement

FOOD MANUFACTURING

The Group's food manufacturing business achieved significant development over the year. To date, the Group has 17 manufacturing plants producing a wide range of high value-added products including seaweed, candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cake and bread, and chestnuts. We are now able to further consolidate our unique "integrated business model" of production, incorporating every aspect of the supply chain from raw materials, manufacturing, distribution and to retail. This production-to-sales integrated operating model has greatly sharpened our products' competitive edge, enhanced profit margins, and increased market share.



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

The Group has spared no effort during the year in improving overall management to drive higher production efficiency. More manufacturing experts were recruited to streamline production processes, enhance quality control and improve cost management. More resources were also invested into new product development, creation of new flavours and new packaging designs; all aimed at driving an enviable brand reputation and exemplary product quality of the Group among the industry. Having won such accolades as "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, the Group has during the year gained new industry recognitions including "Hong Kong Outstanding Enterprises 2005", "Asia Management Innovation Award", "The Outstanding Contribution Award of China National Food Industry" and "The Top 10 Famous People of China Innovative Branding Award".



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"



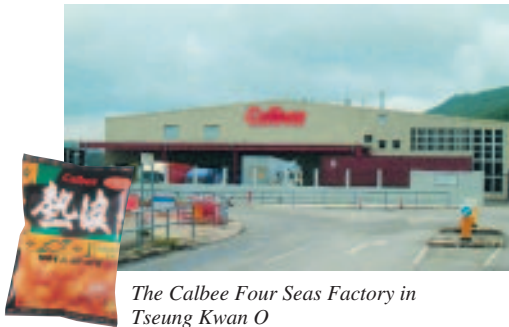
Four Seas has been awarded "The Top 10 Famous People of China Innovative Branding Award"



Four Seas has been awarded "Asia Management Innovation Award"

Chairman's Statement

Driven by brisk sales and strong market demand, our production plants have undergone major expansion during the year. These include increased potato chip production at the Calbee Four Seas factory in Shantou, and full-scale production boost to Four Seas instant noodles and an additional production line for instant bowl noodles at the Li Fook (Qingdao) Foods Co., Limited. Besides, the Four Seas biscuits series was able to make new successful inroads into the Mainland China and Hong Kong markets. Apart from new production lines coming on stream to raise output at the Tsun Fat (Huizhou) Biscuit Factory Limited, new flavours, like spring onion, were developed to drive new market demands. In addition, a new production line has been installed because of the steady growth of Four Seas seaweed during the year. To cope with the increasing demand of bakery products, a new plant has been set up in Shenzhen to further expand the production capacity of Shenzhen Matchless Food Co., Limited.



*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.*

Chairman's Statement

FOUR SEAS BRAND

Over the year, the Group spent much effort in strengthening the Four Seas brand equity and overall image. In the middle of last year, the Group sponsored the “Four Seas Chelsea Candy - Joey Yung & Jeff Chang Concert”, reinforcing a young, energetic and happy image for our brand. In late September, the Group organised exclusively the “Four Seas International Food Expo 2005” which succeeded in drawing excellent responses and demonstrating the Group’s solid strength and creating powerful brand appeal directly for many target consumer groups. In December, the Group was invited by the Hong Kong SAR Government to become a sponsor of “The Sixth WTO Hong Kong Ministerial Conference 2005” through sponsorship of a range of our popular Four Seas brand products. This truly is an unequivocal testimony to the superiority and recognition of Four Seas brand equity and provides a platform to project the brand on an international level.



Four Seas sponsored “The Sixth WTO Hong Kong Ministerial Conference 2005”



As part of the Group’s product diversification strategy, Four Seas Crackers has stood out in making some truly impressive results. In less than a year of its introduction, sales of Four Seas Crackers have been growing unabated. The product also won two coveted industry recognitions from the two leading supermarket chains, namely, “Top Ten Favorite Brands” by Wellcome Supermarket, and “Best New Product Award” by Park’n Shop. The Group will continue with its aggressive marketing efforts to corner new markets with more innovative products.

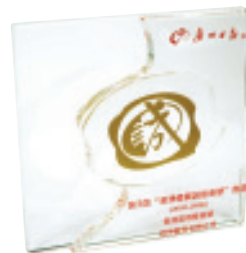
Already a well-known brand in Mainland China, Four Seas brand has continued with its market leadership position in the fast-growing consumer market there. After such illustrious track records as “2004 Shanghai Ten Most Favorite Snacks” for Four Seas brand seaweed, “Superbrands Hong Kong 2002”, “The Golden Asia Award for Excellence” and “No. 1 Brand”, Four Seas brand has 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

Chairman's Statement

CATERING BUSINESS

The Group's catering business witnessed encouraging developments during the period of review. In early 2006, the Group has successfully made a catering debut in the vibrant Causeway Bay district by opening Hong Kong's authentic Japanese curry specialist restaurant "Curry Monogatari". With a vantage location and a distinct market position, the restaurant has drawn extensive media attention shortly after its opening. It not only raises overall operating efficiency through better synergy for the Group's catering business, but more importantly it has substantially strengthened the Group's catering business.



Curry Monogatari



*Kung Tak Lam
Shanghai Vegetarian Cuisine*



Pokka Café



Yutaka Japanese Dining Bar

Benefiting from fast improving consumer sentiments and more and more people eating out, the Group's other restaurants also achieved satisfactory growth over the year. Pokka Café, the Group's joint venture with Pokka Corporation of Japan, rides on its long-standing popularity among consumers to sustain good growth during the year.

Through continued innovation in its cuisines, Kung Tak Lam Shanghai Vegetarian Cuisine Limited was able to drive a growing clientele among young consumers and vegetarian tourists to strengthen its leadership position in vegetarian food industry via strategic marketing publicity, and enhanced service and overall image.

Traditional Japanese restaurant Yutaka has maintained its competitive edge in serving high-quality original Japanese cuisines with increasingly creative dishes, superior ingredients and premium service, in a modern and classy environment.

New Kondo Trading Company Limited ("New Kondo"), which was acquired in May 2005, has recorded good results during the year. With 37 years of experience as a leading Japanese restaurant supplier of over 1,000 types of food products, New Kondo has been making steady contribution to the Group and bringing good return to our investment.

Chairman's Statement

PROSPECTS

Looking ahead, I am confident that Hong Kong's business environment will continue to be positive and the Group will fully leverage its 35 years of solid market advantage to consolidate our leading position in the industry. We will focus on driving our core businesses with more advanced management, rigorous cost control, further improvement in production efficiency and continued new products development so as to improve products competitiveness and break new grounds for our performance in the coming year.



Drawing on the unrelenting buoyancy and numerous opportunities of Mainland China's economic development, the Group will seek new avenues of growth and development in the Mainland's consumer market through our long industry experience and our proven operating model that smoothly integrates the entire supply chain from production through to retail sales.

As a unique publicly listed company in Hong Kong's food industry with a solid foundation and strong management, the Group has secured long-standing trust and partnership with many industry partners and associates. Also, the Group has been very active in promoting the food industry activities between Mainland China and Hong Kong, and spearheading active exchanges with the global food industry.

In the foreseeable future, the Group will remain committed to a diversified development strategy covering food raw materials supplies, manufacturing, distributorship and catering businesses, driving further expansion in the market and consolidating our industry leadership role. The management is fully confident of our prospect and optimistic of our future growth.

Four Seas Group Guangdong Province Headquarters



Chairman's Statement

APPRECIATION

I would like to express my gratitude to our shareholders for their trust and support over the past year, and offer my utmost appreciation to the board of directors, the management and every member of the staff for their commitment and effort in helping to achieve the performance that we have come to be proud of for the year.

Dr. TAI Tak Fung, Stephen, SBS, JP

Chairman

Hong Kong, 19 July 2006