FOUR SEAS MERCANTILE HOLDINGS LIMITED
四洲集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 374)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

INTERIM RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2013, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2013	2012
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**1,433,599**	1,378,370
Cost of sales		**(964,339)**	(982,043)
Gross profit		**469,260**	396,327
Other income and gains	3	**17,546**	35,438
Selling and distribution expenses		**(266,022)**	(242,869)
Administrative expenses		**(134,077)**	(115,243)
Other operating expenses		**(6,314)**	(13,369)
Finance costs	4	**(7,584)**	(9,536)
Share of profits and losses of associates		**12,778**	7,970
PROFIT BEFORE TAX	2 & 5	**85,587**	58,718
Income tax expense	6	**(17,480)**	(12,625)
PROFIT FOR THE PERIOD		**68,107**	46,093
Attributable to:			
Equity holders of the Company		**71,115**	43,506
Non-controlling interests		**(3,008)**	2,587
		68,107	46,093
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	8	**HK18.3 cents**	HK11.2 cents

Details of the dividend proposed for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**68,107**	46,093
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**2,817**	7,762
Reclassification adjustments for gains/losses included in the condensed consolidated income statement		
- gain on disposal	**(6,336)**	(4,773)
- impairment losses	**418**	6,992
Income tax effect	**-**	-
	(3,101)	9,981
Share of other comprehensive income of associates	**802**	108
Exchange differences on translation of foreign operations	**9,347**	3,809
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**7,048**	13,898
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**75,155**	59,991
Attributable to:		
Equity holders of the Company	**78,166**	57,354
Non-controlling interests	**(3,011)**	2,637
	75,155	59,991

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2013 Unaudited HK$'000	31 March 2013 Audited HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**562,105**	563,834
Investment property		**20,267**	19,998
Prepaid land lease payments		**112,559**	113,146
Goodwill		**37,277**	36,809
Investments in associates		**171,950**	158,698
Available-for-sale investments		**70,922**	77,533
Deposits		**19,872**	18,092
Deferred tax assets		**1,576**	1,576
Total non-current assets		**996,528**	989,686
CURRENT ASSETS			
Due from associates		**16**	15
Current livestock		**414**	179
Inventories		**226,696**	253,094
Trade receivables	9	**516,482**	502,953
Prepayments, deposits and other receivables		**96,684**	94,798
Tax recoverable		**1,667**	1,924
Financial assets at fair value through profit or loss		**17,765**	12,012
Cash and cash equivalents		**657,275**	610,724
Total current assets		**1,516,999**	1,475,699
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	**356,707**	335,484
Interest-bearing bank borrowings		**719,509**	781,630
Tax payable		**36,856**	26,745
Total current liabilities		**1,113,072**	1,143,859
NET CURRENT ASSETS		**403,927**	331,840
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,400,455**	1,321,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 September 2013 Unaudited *HK$'000*	31 March 2013 Audited *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**93,373**	74,533
Deferred tax liabilities	**19,738**	18,251
Total non-current liabilities	**113,111**	92,784
Net assets	**1,287,344**	1,228,742
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**38,790**	38,790
Reserves	**1,216,948**	1,146,540
Proposed dividend	**7,758**	19,395
	1,263,496	1,204,725
Non-controlling interests	**23,848**	24,017
Total equity	**1,287,344**	1,228,742

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 March 2013.

In the current period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-lnt 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKAS 1 Amendments, HKFRS 13 and the Annual Improvements 2009-2011 Cycle, the adoption of these new and revised HKFRSs has had no material financial effect on the unaudited condensed consolidated interim financial statements of the Group.

HKAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1*

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

1. ACCOUNTING POLICIES (continued)

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in the condensed consolidated interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the notes to the condensed consolidated interim financial statements.

HKAS 34 *Interim financial reporting – Amendments to HKAS 34 (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)*

The amendments to HKAS 34 clarify the requirements relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments.* Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change in the total amount disclosed in the entity’s previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets and liabilities were reported to the CODM.

The Group has not adopted the new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

(i) the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products, noodles and the retailing of snack foods, confectionery and beverages, and the operations of restaurants; and

(ii) the Mainland China segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, poultry products, noodles and ham and ham-related products, and the operations of restaurants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, dividend income and unallocated gains, impairment of available-for-sale investments, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude available-for-sale investments, financial assets at fair value through profit or loss, deferred tax assets, tax recoverable, investments in associates and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong Six months ended 30 September		Mainland China Six months ended 30 September		Total Six months ended 30 September	
	2013	2012	**2013**	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**951,808**	910,835	**481,791**	467,535	**1,433,599**	1,378,370
Intersegment sales	**2,082**	1,120	**121,210**	124,862	**123,292**	125,982
	953,890	911,955	**603,001**	592,397	**1,556,891**	1,504,352
Reconciliation:						
Elimination of intersegment sales					**(123,292)**	(125,982)
Revenue					**1,433,599**	1,378,370
Segment results	**72,816**	51,306	**2,200**	10,641	**75,016**	61,947
Reconciliation:						
Interest income					**772**	575
Dividend income and unallocated gains					**14,357**	13,580
Impairment of available-for-sale investments					**(418)**	(6,992)
Finance costs					**(7,584)**	(9,536)
Share of profits and losses of associates					**12,778**	7,970
Corporate and other unallocated expenses					**(9,334)**	(8,826)
Profit before tax					**85,587**	58,718

	Hong Kong		Mainland China		Total	
	30 September 2013	31 March 2013	**30 September 2013**	31 March 2013	**30 September 2013**	31 March 2013
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,021,957**	976,543	**810,711**	829,972	**1,832,668**	1,806,515
Reconciliation:						
Elimination of intersegment receivables					**(240,296)**	(203,597)
Investments in associates					**171,950**	158,698
Corporate and other unallocated assets					**749,205**	703,769
Total assets					**2,513,527**	2,465,385
Segment liabilities	**251,286**	248,781	**345,717**	290,300	**597,003**	539,081
Reconciliation:						
Elimination of intersegment payables					**(240,296)**	(203,597)
Corporate and other unallocated liabilities					**869,476**	901,159
Total liabilities					**1,226,183**	1,236,643

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**1,433,599**	1,378,370
Other income		
Bank interest income	**772**	575
Dividend income from listed available-for-sale investments	**1,951**	5,249
Management fee income	**-**	148
Rental income	**582**	571
Others	**1,835**	2,814
	5,140	9,357
Gains		
Investment gains/(losses), net*	**317**	(237)
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	**6,336**	4,773
Financial assets at fair value through profit or loss	**5,753**	3,795
Gain on disposal of items of property, plant and equipment	**-**	17,750
	12,406	26,081
	17,546	35,438

* Investment gains/(losses), net comprise net gains from currency-linked deposits of HK$149,000 (2012: HK$271,000) and net exchange gain on cash and cash equivalents of HK$168,000 (2012: loss of HK$508,000).

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**7,584**	9,536

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**964,339**	982,043
Depreciation	**26,718**	26,424
Amortisation of non-current livestock	**-**	2
Amortisation of prepaid land lease payments	**1,817**	1,639
Impairment of available-for-sale investments	**418**	6,992

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**14,745**	10,422
Underprovision in prior years	**-**	141
Current – Elsewhere		
Charge for the period	**1,430**	2,278
Deferred	**1,305**	(216)
Total tax charge for the period	**17,480**	12,625

The share of tax attributable to associates amounting to HK$3,467,000 (2012: HK$1,162,000) is included in "Share of profits and losses of associates" in the unaudited condensed consolidated income statement.

7. DIVIDEND

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Proposed interim – HK2.0 cents (2012: HK2.0 cents) per ordinary share	**7,758**	7,766

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**71,115**	43,506

	Number of shares	
	2013	2012
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**387,909,640**	388,553,126

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to four to five months for major customers.

An aged analysis of trade receivables as at 30 September 2013 and 31 March 2013, based on the invoice date and net of provisions, is as follows:

	30 September 2013	31 March 2013
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**215,376**	192,727
1 to 2 months	**107,200**	91,457
2 to 3 months	**68,443**	97,863
Over 3 months	**125,463**	120,906
	516,482	502,953

Included in trade receivables are amounts due from the Group's associates of HK$1,915,000 (31 March 2013: HK$1,567,000) and a subsidiary of Hong Kong Food Investment Holdings Limited ("HKFH"), a substantial shareholder of the Company, of HK$1,585,000 (31 March 2013: HK$181,000), which are repayable on similar credit terms to those offered to the major customers of the Group. The trade receivables due from the subsidiary of HKFH are in accordance with the master supply agreement entered into between HKFH and the Company, details of which are included in the Company's announcement dated 6 August 2012.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$205,679,000 (31 March 2013: HK$187,862,000). An aged analysis of the trade payables as at 30 September 2013 and 31 March 2013 based on the invoice date, is as follows:

	30 September 2013	31 March 2013
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**137,797**	119,485
1 to 2 months	**50,048**	38,376
2 to 3 months	**6,807**	14,681
Over 3 months	**11,027**	15,320
	205,679	187,862

Included in the trade payables are trade payables of HK$59,407,000 (31 March 2013: HK$41,733,000) due to the Group's associates, which are normally settled on 30-day to 60-day terms.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. Other payables are non-interest-bearing and have an average term of three months.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.0 cents (2012: HK2.0 cents) per ordinary share for the six months ended 30 September 2013, payable to shareholders whose names appear in the Register of Members of the Company on Friday, 20 December 2013. The said dividend will be paid on or about Thursday, 16 January 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 18 December 2013 to Friday, 20 December 2013, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to receive the interim dividend for the six months period ended 30 September 2013, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 December 2013.

BUSINESS REVIEW AND PROSPECTS

RESULTS

The profit of the Group recorded substantial growth in compare to the corresponding period of last year. For the six months ended 30 September 2013, the Group's revenue reached HK$1,433,599,000 (2012: HK$1,378,370,000), representing an increase of 4.0% over the corresponding period of last year. Profit attributable to equity holders of the Company increased substantially by 63.5% to HK$71,115,000 (2012: HK$43,506,000). The profit growth during the period under review was mainly driven by the increase in gross profit margin deriving from containment of procurement and production costs as well as the downward trend of Japanese yen. A major part of the food distribution business of the Group is the distribution of Japanese products which was benefited from the depreciation of the Japanese yen and hence lessened the purchasing costs of the Group. On the other hand, there is a well-received brand recognition for the products of the Group as exemplified by awards such as "Superbrands". This enables a stable increase of product selling prices which became a favourable factor for driving up the gross profit and resulting in substantial growth for the profit of the Group.

During the period under review, the Group recorded a stable revenue growth in Hong Kong and Mainland China. The revenue derived from Hong Kong reached HK$951,808,000 (2012: HK$910,835,000), representing an increase of 4.5% over the same period of last year, and accounted for approximately 66% of the Group's total revenue. The revenue in Mainland China was HK$481,791,000 (2012: HK$467,535,000), increased by 3.0% compared with the same period of last year, and accounted for approximately 34% of the Group's total revenue. In view of the enormous market development potential of Mainland China, the Group will actively expand its presence there so as to further boost up its profitability and consolidate its brand image in long run.

BUSINESS REVIEW

During the period under review, the overall performance of the Group was very encouraging despite the unstable global economy. The Group adopts progressive and adaptive operational strategies to achieve significant advancement during the period under review.

BUSINESS REVIEW AND PROSPECTS (continued)

Distribution Business

Food distribution business, as the core business of the Group, continued to experience a prosperous development during the period under review. The Group commits to the vision of "strive for excellence, be the pioneer" and has established good relationship with international business partners in the food industry in the past 42 years. With a strong distribution business, the Group distributes quality food products of over 70 internationally renowned brands, including Meiji, Glico, Snow Brand, Lotte, Bourbon, Calbee, Ginbis, Kanro, Nico, Pokka, House, Guylian, Want Want, Bandai and Kabaya. The quality products under such brands cover food categories such as infant formula, milk, biscuits, cakes, confectionery, chocolates, snacks, instant noodles, ice-cream, health foods, beverages, alcoholic drinks, sauce, seasonings, ham and sausages. They are imported from over 20 countries and regions such as Japan, Mainland China, Korea, Australia, Singapore, Thailand, Malaysia, Taiwan, the United States, South Africa, Belgium, France, Brazil, Germany, the Netherlands, Indonesia, Vietnam, the Philippines, New Zealand, Poland, the United Kingdom, Canada and Chile. In addition, the Group has superb sales teams and a comprehensive distribution network, with customers covering department stores, supermarkets, convenient stores, fast food shops, Chinese restaurants, restaurants, hotels, airways, retailers and wholesalers.

Besides, the Group has successfully obtained the distributorship of YOKU MOKU, a famous premium Japanese food souvenir brand, which will broaden the horizon of its distribution business. YOKU MOKU is famous for its signature product, crispy roll "Cigare", and has opened more than 150 stores in Japan. The Group will open the first YOKU MOKU store in Hong Kong at the IFC Mall in Central on 9 December 2013. Apart from benefitting the future business growth, it will also strengthen the retail business of the Group.

Manufacturing Business

The Group has been developing its own brand for years and achieved great success. The Group has set up its manufacturing plants to produce a variety of food products. On 30 September 2013, the Group has a total of 20 manufacturing plants, including 5 in Hong Kong, which mainly produce potato chips, prawn crackers, ham, sausages, peanuts, noodles and dumplings; and the other 15 in Mainland China, located in Shantou, Guangzhou, Huizhou, Shenzhen, Dongguan, Heyuan, Suzhou, Hebei Province and Qingdao. Products produced by the Group's factories located in Mainland China include "Four Seas Seaweed", "Four Seas Milk Drink", "Four Seas Tsubu Tsubu Orange Drink", "Four Seas Coffee", "Four Seas Cracker", "Four Seas Biscuit Stick", "Four Seas Chestnut", "Four Seas Potato Chip", "Four Seas Puff Snack Series", "Four Seas Sweet Corn", "Four Seas Bub Bub Candy", "Four Seas Instant Noodle", "Maid Brand Ham and Sausage Series" and "Cowboy Peanut" etc., which are widely recognised by the customers.

Along with the development of the consumer market in Mainland China, the Group has actively expanded its business under its own brand in Mainland China. Moreover, the Group highly emphasizes production-sales integration which perfects every stage of the production-sales flow. Through the one-stop platform for production-sales, it effectively improves the production efficiency, takes full control over the inventories and capacity of its production lines, understands well the market trend and stipulates long-term and innovative marketing strategies, in order to promote its own brand to a wider client base for boosting sales.

In addition, production-sales integration is important for food safety control. Over the years, the Group has been actively promoting the corporate culture of food safety by implementing strict quality management procedures from the input source to sales and distribution. The commitment and results in quality control are recognised by a number of international food safety certifications, including "HACCP", "GMP", "ISO9001", "ISO22000", "Model Enterprise of Food Safety" and "Certified for the Q-Mark Scheme" for 24 consecutive years.

BUSINESS REVIEW AND PROSPECTS (continued)

Retail and Catering Businesses

The Group extends its scope of business with creativity and innovation to cope with the fast-changing market. With the effort of expanding its retail network continuously, there are almost 90 retail outlets operated by the Group at present. “Okashi Land”, a renowned retail chain with approximately 60 outlets, provides a variety of trendy food products to the public with foothold across Hong Kong. It is popular amongst many young consumers. “Okashi Land” was accredited with “QTS Merchant of the Quality Tourism Services Scheme”, “Hong Kong & Macau Merchants of Integrity Award”, “The Most Popular Hong Kong and Macau Brands” and “The Most Popular Hong Kong Bright Consumer Brands”. “Okashi Land” continues to receive a good consumer patronage and the retail business of the Group continues to develop.

The Group’s catering business has been developing steadily during the period under review and covers different types of restaurants such as Japanese restaurants, Japanese fast food shops, sushi restaurant chains, high-end vegetarian restaurants, a garden-style Chinese restaurant and a light meal restaurant in Mainland China and Hong Kong.

During the period under review, the Group’s “Kung Tak Lam Shanghai Vegetarian Cuisine”, providing modern healthy vegetarian diets, has been developing stably and has continuously been the favourite choice of the consumers as people are getting more health conscious. The Japanese-style “Restaurant Shiki”, located in business district at Admiralty, has been growing its business steadily. The Japanese fast food shops “Osaka Ohsho” are welcomed by many customers.

The Group’s “Panxi Restaurant”, located in the sightseeing spot of Liwan district in Guangzhou, is one of the largest garden-style Chinese restaurants in Mainland China. It is an elegant style Guangdong restaurant with a history of 66 years and famous for supplying fine Lingnan dishes and dim sum. Located by the side of Lake Liwan, the classic rooms and halls of Panxi Restaurant are adorned by the lush greenery and waterfront corridor. It has attracted a large number of celebrities and has continued to perform satisfactorily during the period under review. “Sushi Oh”, a sushi restaurant chain, has been much acclaimed by the consumers in Mainland China. “Mori Café”, a brand developed by the Group, provides light meals to the customers with a focus of health and freshness. Its business has been developing steadily after its establishment in Guangzhou last year.

PROSPECTS

Since 1971, the Group has been evolving from the business of importing snacks from Japan to an enterprise covering food processing and production, distribution, retail and catering businesses. The Group always strives for establishing high-quality brands and improving food quality. With the Group’s Hong Kong business becoming mature and developing steadily after 42 years of efforts, we believe that the China market shall be the key growth driver in the future.

BUSINESS REVIEW AND PROSPECTS (continued)

Strong Demand for Infant Milk Formula in Mainland China
Actively Developing Mainland Infant Milk Formula Market

In recent years, infant milk formula market of Mainland China has grown rapidly. Taking advantage of the mega market demand of infant formula in Mainland China, in particular the appeal of international infant milk formula brands, the development of the mainland infant formula market has become one of the Group's key focuses. The Group is a distributor of "Megmilk Snow Brand Co., Ltd.", a leading dairy company of Japan, for Mainland China, Hong Kong and Macau. With more than 20 years of experience in Hong Kong market, Snow Brand has been highly acclaimed by consumers and achieved outstanding results. The Group will expand into infant formula market in Mainland China starting from 1 December 2013. With Guangdong province as the starting place, the Group will enrich the distribution network of Snow Brand infant milk formula in Mainland China stage by stage. Along with the rapid growth of the market of infant milk formula in Mainland China, this business will bring steady income to the Group.

Increasing Consumption Power in Mainland China
Enhancing the Group's Snacks Business in Mainland China

The domestic consumption market of Mainland China has been developing rapidly under the policy of active stimulation of the domestic consumption by the Chinese government. It is anticipated that China will become the world's second-largest consumer goods market second only to the United States. In view of this, the Group aims to strengthen its mainland businesses to capture the ample business opportunities. "Four Seas" brand products and other foreign food products will be promoted to different areas of Mainland China stage by stage by expanding the sales network in order to increase the Group's penetration in the mainland market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2013, the Group held cash and cash equivalents of HK$657,275,000. As at 30 September 2013, the Group had banking facilities of HK$1,758,427,000 of which 46% had been utilised. The Group had a gearing ratio of 64% as at 30 September 2013. This is expressed as the total bank borrowings to equity attributable to equity holders of the Company. Bank borrowings of the Group, denominated in Hong Kong dollars, Japanese yen, Renminbi and United States dollars, mainly comprise trust receipt loans and bank loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable on demand or within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable in the second to third years. As at 30 September 2013, the Group had no significant contingent liabilities.

STAFF EMPLOYMENT

The total number of employees of the Group as at 30 September 2013 was approximately 4,100. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

CORPORATE GOVERNANCE

The Group strives to maintain high standards of corporate governance to enhance shareholders value and safeguard shareholders interests. The Company's directors are of the view that the Company has met the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2013, except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as a casual vacancy seldom appears and the interval between the appointment made to fill a casual vacancy and the immediate following annual general meeting is short.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the six months ended 30 September 2013.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 September 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Ms. Leung Mei Han (Chairperson of the Audit Committee), Mr. Chan Yuk Sang, Peter and Mr. Tsunao Kijima. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2013 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Company's interim results announcement was published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fourseasgroup.com.hk.

The interim report of the Company for the six months ended 30 September 2013, containing information required by Appendix 16 of the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board of Directors of the Company would like to express its sincere appreciation to the shareholders, business partners and staff for their continued support to the Group.

THE BOARD

As at the date of this announcement, the directors of the Company are Mr. TAI Tak Fung, Stephen, Ms. WU Mei Yung, Quinly, Mr. MAN Wing Cheung, Ellis, Mr. YIP Wai Keung, Mr. WU Wing Biu and Mr. NAM Chi Ming, Gibson as executive directors, Ms. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Tsunao KIJIMA as independent non-executive directors.

On behalf of the Board
TAI Tak Fung, Stephen, *GBS, SBS, JP*
Chairman

Hong Kong, 29 November 2013

* *For identification purpose only*