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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 RESULTS
FOR THE YEAR ENDED 31 MARCH 2014

RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") is pleased to announce the preliminary consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	4	**2,910,406**	2,899,647
Cost of sales		**(1,915,303)**	(2,014,020)
Gross profit		**995,103**	885,627
Other income and gains	4	**42,547**	46,478
Selling and distribution expenses		**(546,828)**	(495,545)
Administrative expenses		**(278,169)**	(255,755)
Other operating expenses		**(14,030)**	(30,732)
Finance costs	5	**(15,185)**	(18,577)
Share of profits and losses of associates		**8,510**	9,244
PROFIT BEFORE TAX	3 & 6	**191,948**	140,740
Income tax expense	7	**(39,668)**	(33,537)
PROFIT FOR THE YEAR		**152,280**	107,203
Attributable to:			
Equity holders of the Company		**160,137**	110,779
Non-controlling interests		**(7,857)**	(3,576)
		152,280	107,203
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	9	**HK41.3 cents**	HK28.5 cents

Details of the dividends paid and proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**152,280**	107,203
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**36,085**	13,994
Reclassification adjustments for gains/losses included in the consolidated statement of profit or loss		
- gain on disposal	**(24,182)**	(8,655)
- impairment losses	**418**	13,627
Income tax effect	-	-
	12,321	18,966
Exchange differences:		
Translation of foreign operations	**(2,007)**	13,213
Reclassification adjustments for gains included in the consolidated statement of profit or loss upon disposal of subsidiaries	**-**	(4,639)
	(2,007)	8,574
Share of other comprehensive income of associates	**447**	870
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**10,761**	28,410
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**163,041**	135,613
Attributable to:		
Equity holders of the Company	**171,378**	138,519
Non-controlling interests	**(8,337)**	(2,906)
	163,041	135,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014	2013
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**563,252**	563,834
Investment property		**19,958**	19,998
Prepaid land lease payments		**109,645**	113,146
Goodwill		**36,739**	36,809
Investments in associates		**164,391**	158,698
Available-for-sale investments		**47,639**	77,533
Deposits		**21,424**	18,092
Deferred tax assets		**1,530**	1,576
Total non-current assets		**964,578**	989,686
CURRENT ASSETS			
Due from associates		**23**	15
Current livestock		**-**	179
Inventories		**270,093**	253,094
Trade receivables	10	**494,499**	502,953
Prepayments, deposits and other receivables		**105,455**	94,798
Tax recoverable		**145**	1,924
Financial assets at fair value through profit or loss		**9,334**	12,012
Cash and cash equivalents		**745,823**	610,724
Total current assets		**1,625,372**	1,475,699
CURRENT LIABILITIES			
Trade payables, other payables and accruals	11	**357,810**	335,484
Interest-bearing bank borrowings		**773,045**	781,630
Tax payable		**21,031**	26,745
Total current liabilities		**1,151,886**	1,143,859
NET CURRENT ASSETS		**473,486**	331,840
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,438,064**	1,321,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**60,284**	74,533
Deferred tax liabilities		**19,095**	18,251
Total non-current liabilities		**79,379**	92,784
Net assets		**1,358,685**	1,228,742
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**38,790**	38,790
Reserves		**1,266,555**	1,146,540
Proposed final dividend	8	**23,275**	19,395
		1,328,620	1,204,725
Non-controlling interests		**30,065**	24,017
Total equity		**1,358,685**	1,228,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, certain properties classified as property, plant and equipment, financial instruments at fair value through profit or loss and certain available-for-sale investments which have been measured at valuation or fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

1. **BASIS OF PREPARATION** (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 HKFRS 12 – *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*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 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 HKFRS 10, HKFRS 12, HKFRS 13, and amendments to HKAS 1 and HKAS 36 the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

3. 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, deferred tax assets, tax recoverable, investments in associates, financial assets at fair value through profit or loss 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.

3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong		Mainland China		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,920,248**	1,901,473	**990,158**	998,174	**2,910,406**	2,899,647
Intersegment sales	**4,022**	3,594	**239,417**	222,861	**243,439**	226,455
	1,924,270	1,905,067	**1,229,575**	1,221,035	**3,153,845**	3,126,102
Reconciliation:						
Elimination of intersegment sales					**(243,439)**	(226,455)
Revenue					**2,910,406**	2,899,647
Segment results	**176,327**	136,140	**6,793**	25,652	**183,120**	161,792
Reconciliation:						
Interest income					**1,376**	1,215
Dividend income and unallocated gains					**35,677**	18,514
Impairment of available-for-sale investments					**(418)**	(13,627)
Finance costs					**(15,185)**	(18,577)
Share of profits and losses of associates					**8,510**	9,244
Corporate and other unallocated expenses					**(21,132)**	(17,821)
Profit before tax					**191,948**	140,740
Segment assets	**1,048,142**	976,543	**853,184**	829,972	**1,901,326**	1,806,515
Reconciliation:						
Elimination of intersegment receivables					**(280,238)**	(203,597)
Investments in associates					**164,391**	158,698
Corporate and other unallocated assets					**804,471**	703,769
Total assets					**2,589,950**	2,465,385
Segment liabilities	**290,320**	248,781	**347,728**	290,300	**638,048**	539,081
Reconciliation:						
Elimination of intersegment payables					**(280,238)**	(203,597)
Corporate and other unallocated liabilities					**873,455**	901,159
Total liabilities					**1,231,265**	**1,236,643**
Other segment information:						
Impairment of trade receivables	**17**	-	**43**	1,035	**60**	1,035
Impairment of slow-moving inventories	**98**	60	**927**	558	**1,025**	618
Impairment of goodwill	**-**	-	**-**	1,942	**-**	1,942
Depreciation and amortisation***	**22,329**	19,125	**36,084**	35,966	**58,413**	55,091
Capital expenditure*	**17,085**	22,916	**42,279**	31,570	**59,364**	54,486
Non-current assets**	**197,096**	205,869	**532,498**	527,918	**729,594**	733,787

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and investment property.

** Non-current assets exclude financial instruments, deferred tax assets and investments in associates.

*** Depreciation and amortisation exclude amortisation of non-current livestock.

4. 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:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**2,910,406**	2,899,647
Other income		
Bank interest income	**1,376**	1,215
Dividend income from listed available-for-sale investments	**8,414**	6,815
Rental income	**1,215**	1,900
Others	**4,279**	7,621
	15,284	17,551
Gains		
Investment gains*	**257**	217
Fair value gains:		
Available-for-sale investments (transfer from equity on disposal)	**24,182**	8,655
Financial assets at fair value through profit or loss	**2,824**	2,827
Gain on disposal of items of property, plant and equipment, net	**-**	12,504
Gain on disposal of subsidiaries	**-**	4,724
	27,263	28,927
	42,547	46,478

* Investment gains comprise net gains from currency-linked deposits of HK$149,000 (2013: HK$45,000) and net exchange gain on cash and cash equivalents of HK$108,000 (2013: HK$172,000).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**15,185**	18,577

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**1,914,278**	2,013,336
Depreciation	**55,069**	51,810
Amortisation of prepaid land lease payments	**3,344**	3,281
Amortisation of non-current livestock	**-**	2
Minimum lease payments under operating leases in respect of land and buildings	**160,309**	148,691
Auditors' remuneration	**3,863**	3,226
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**309,970**	275,443
Pension scheme contributions**	**17,728**	15,527
	327,698	290,970
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	**3,386**	(12,504)
Foreign exchange differences, net	**(2,003)**	2,585
Rental income on an investment property less direct operating expenses of HK$720,000 (2013: HK$646,000)	**(495)**	(1,254)
Impairment of available-for-sale investments*	**418**	13,627
Decrease/(increase) in fair value less estimated point-of-sale costs attributable to:		
- physical change on non-current livestock	**-**	(8)
- price change on non-current livestock	**-**	1
Impairment of trade receivables*	**60**	1,035
Impairment of slow-moving inventories***	**1,025**	618
Impairment of goodwill*	**-**	1,942
Impairment of non-current livestock***	**-**	66

* The impairment of available-for-sale investments, goodwill and trade receivables are included in "Other operating expenses" in the consolidated statement of profit or loss.

** At 31 March 2014, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2013: Nil).

*** The impairment of slow-moving inventories and non-current livestock are included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**33,906**	27,734
Current – Elsewhere		
Charge for the year	**4,964**	6,166
Overprovision in prior years	**(194)**	(292)
Deferred	**992**	(71)
Total tax charge for the year	**39,668**	33,537

The share of tax attributable to associates amounting to HK$4,463,000 (2013: HK$3,110,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim – HK2.0 cents (2013: HK2.0 cents) per ordinary share	**7,758**	7,760
Proposed final – HK6.0 cents (2013: HK5.0 cents) per ordinary share	**23,275**	19,395
	31,033	27,155

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**160,137**	110,779

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**387,909,640**	388,308,330

10. 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 the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**213,314**	192,727
1 to 2 months	**86,030**	91,457
2 to 3 months	**85,510**	97,863
Over 3 months	**109,645**	120,906
	494,499	502,953

Included in trade receivables are amounts due from the Group's associates of HK$1,320,000 (2013: HK$1,567,000) and a subsidiary of Hong Kong Food Investment Holdings Limited ("HKFH"), a substantial shareholder of the Company, of HK$254,000 (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.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$201,579,000 (2013: HK$187,862,000). An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**148,367**	119,485
1 to 2 months	**31,581**	38,376
2 to 3 months	**8,965**	14,681
Over 3 months	**12,666**	15,320
	201,579	187,862

Included in the trade payables are trade payables of HK$50,509,000 (2013: HK$41,733,000) due to 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.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK6.0 cents in cash per ordinary share for the year ended 31 March 2014. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 28 August 2014 (the "AGM"), the said dividend will be paid in cash on or about Thursday, 25 September 2014 to the shareholders of the Company whose names appear on the register of members of the Company as on Monday, 8 September 2014. Together with the interim dividend of HK2.0 cents per share, the total dividends per share for the financial year ended 31 March 2014 is HK8.0 cents (2013: HK7.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods, and no transfers of shares will be registered during such periods:

(i) from Tuesday, 26 August 2014 to Thursday, 28 August 2014, both days inclusive, for the purpose of ascertaining shareholders; eligibility to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 August 2014; and

(ii) from Thursday, 4 September 2014 to Monday, 8 September 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2014. In order to qualify for the said proposed final dividend, 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, for registration not later than 4:30 p.m. on Wednesday, 3 September 2014. The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Monday, 8 September 2014 and the payment of final dividend will be made on or about Thursday, 25 September 2014.

BUSINESS REVIEW AND PROSPECTS & GROWTH

RESULTS

“Reaching new heights of success and excellence” was the best description of the performance of the Group over the past year. During the year, the Group achieved continued success owing to its unique business strategies, cautious cost control, positive market environment and strong brand advantages.

In the annual results for the year ended 31 March 2014, the Group's profit achieved a substantial growth. The Group's sales reached HK$2,910,406,000 (2013: HK$2,899,647,000), representing an increase of about ten million Hong Kong dollars over the same period of last year. The profit for the year attributable to equity holders of the Company increased significantly by 45% to HK$160,137,000 (2013: HK$110,779,000).

Sales for both Hong Kong and Mainland China were steady. The sales derived from Hong Kong was HK$1,920,248,000 (2013: HK$1,901,473,000), representing an increase of about nineteen million Hong Kong dollars over the same period of last year and the sales in Mainland China was HK$990,158,000 (2013: HK$998,174,000).

Japanese Yen is one of the transaction currencies for the purchases of the Group. The purchasing costs of the Group was reduced with the benefit of the depreciation of Japanese Yen resulting in an improvement of gross profit margin. Gross profit increased by HK$109,476,000 from HK$885,627,000 of last year to HK$995,103,000 for the year under review. Gross profit as a percentage of sales amount improved from 31% of last year to 34% for the year.

BUSINESS REVIEW

In the year under review, market competition in the food business remained stiff, but the Group was able to achieve significant growth in profitability. Reduction in the purchasing cost helped the Group's bottom line while its unique business model also put it in a very advantageous position. Building on its extensive manufacturing, agency and distribution network as well as well-established customer base, the Group continued to create synergistic values for various brand names under its umbrella.

Consistent efforts in the past 43 years to produce safe, delicious and quality food, as well as emphasizing food hygiene, food safety and quality food ingredients, have made the Group a famous food brand in Hong Kong. In order to live by its motto “Eating Safely, Eating Happily”, the Group seeks to ensure that all food produced, distributed and sold have undergone stringent internal food control system, making sure that every necessary procedure is fulfilled.

BUSINESS REVIEW AND PROSPECTS & GROWTH (continued)

BUSINESS REVIEW (continued)

The Group now produces and distributes a wide range of food products, serving different customers in terms of ages and segments. It has a strong distribution network, including supermarkets, convenient store chains, department stores, fast food chains, wholesalers, retailers, restaurants, hotels, bars and airlines. In Hong Kong, the Group has opened over 90 chain stores, including “Okashi Land” specialty stores with about 60 outlets and the newly-introduced Japanese cookie store “YOKU MOKU”.

Distribution Business

Food distribution business has long been the core business of the Group. It has been developed steadily over the years. Currently, the Group distributes food of internationally renowned brands from many countries, such as Japan, Mainland China, Korea, Malaysia, Singapore, the United States and Europe. A great variety of products is provided to suit the demands of different customers, including milk powder, snacks, health foods, wine, beverages, sauce, seasonings, ham and sausages. The Group has a comprehensive distribution network and superb sales teams. With its well-established international connections, the Group brings in high-quality food products from overseas.

Manufacturing Business

The Group has a total of 20 manufacturing plants in Mainland China and Hong Kong. With stringent quality control and sophisticated management system, the Group is able to produce and market a wide variety of food products, meeting different customer demands, through its one-stop business platform. Over the years, the Group's food products have been highly regarded for their compliance with various international standards. The Group also gained a vote of trust and confidence in the market, receiving numerous accreditations from relevant international institutions including “GMP”, “HACCP”, “ISO 9001”, “ISO 22000” and “Hong Kong Q-Mark Product Scheme Certification”.

Retailing and Catering Business

The retail network of the Group was expanding with well-known specialty stores opened all over Hong Kong. The Group's catering businesses, including Japanese-style “Restaurant Shiki”, “Kung Tak Lam Shanghai Vegetarian Cuisine”, Japanese fast food shop “Osaka Ohsho”, “Panxi Restaurant” in Guangzhou, sushi restaurant chain “Sushi Oh” as well as “Mori Café”, have achieved satisfactory results in general. With perfect ambience and superior management, the Group has developed strong brand equity, creating a new trend of food and catering business in Hong Kong and Mainland China.

BUSINESS REVIEW AND PROSPECTS & GROWTH (continued)

BRAND DEVELOPMENT

Based in Hong Kong, the Group was established in 1971, nurturing and growing together with the city. At the early stage of development, the Group mainly focused on food distribution business. After 43 years of running, it has now become one of the largest food enterprises in Hong Kong, a conglomerate offering food manufacturing, distribution and catering businesses.

Now the Group has entered into a new stage of development. Apart from pursuing business growth, it will devote effort to build its long-term brand image, as well as expanding into the market of Mainland China, serving as a bridge between China and the world. It will not only introduce good quality food to the mainland market, bringing in more choices and enjoyment, but also take mainland food products to the international arena, helping them to expand overseas.

CORPORATE SOCIAL RESPONSIBILITY

The Group is participating actively in community services, supporting the charity activities and youth programs. “Taken from Society and Give Back to Society” is always the belief of the Group, driving it to devote tremendous resources to promote the well-being of the society.

The Group has been accredited with various awards last year, including “Hong Kong Outstanding Enterprise 2013”, “Manpower Developer 2013-15”, “The Best Partnership 2012”, “Listed Company with the Best Brand Value” and “Most Influential Listed Company Leader” of The China Securities Golden Bauhinia Awards, “Most Innovative Chiu Chow Businessmen Enterprise Award 2012-2013” and “Worldwide Prominent Chiu Chow Business Leader Award 2012-2013”. Moreover, the Group's distribution and manufacturing businesses also received numerous awards, including “Most Popular Snack Series” of “2013 Health & Beauty Awards”, “Most Popular Canned Coffee”, “Outstanding Category Performance Award - Kid's Favourite Brand Award” of “The 14th Wellcome Favourite Brands Awards”. Certain operations of the retailing and catering businesses were recommended by “Most Popular Hong Kong & Macau Brands Awards” and “The MICHELIN Guide - Hong Kong & Macau 2014”.

These awards are definitely strong affirmations to the Group's involvement in community services, encouraging it to quest for excellence in developing the local and Mainland China market.

BUSINESS REVIEW AND PROSPECTS & GROWTH (continued)

PROSPECTS & GROWTH

“Catering for Hong Kong's needs while contributing to the country” is the Group's future development strategy. In pursuing its market share in Hong Kong food industry, the Group is also committed to building a food and snacks kingdom in Mainland China.

Business in Hong Kong

In the ever-changing competitive environment in Hong Kong, the Group will continue to strengthen and enhance its leading position. Snacks have already been a part of the living habit of Hong Kong people. While snacks stores in different scales are popular in the city, the local snacks market is filled with great business potentials. The Group will therefore continue to dedicate itself to market exploration, taking initiatives to promote diversified products to Hong Kong people.

After introducing popular Japanese cookie store “YOKU MOKU” to Hong Kong, the Group will keep on identifying superior snacks products from around the world and bring them to the city in order to provide more quality food to consumers and proactively expand market share. Besides, the Group will also expand its distribution network, making available its products to different customers through various channels.

Business in Mainland China

With a market size of approximately 7 million, Hong Kong has contributed approximately 66% of the Group's business. With a population of 1.3 billion, Mainland China represents an enormous business opportunity to the Group. China is now boosting internal consumptions. As a result, it will lead to higher income and living standard as well as stronger demand for quality and safety food from the people. Such development is in line with the Group's mission and values, which is also consistent with the Group's business strategy to fill the needs of the mainland.

PROSPECTS & GROWTH (continued)

Hence, introducing quality and safety food products to the mainland is currently a major focus of the Group's business strategy. It has already set its priority in Guangdong with over 100 million population as a base to gradually increase its market share in the country. The Group is now conducting extensive staff training, hoping to step up its presence in the food market in the Pearl River Delta. With the adoption of the “selective two-child policy”, the demand of baby milk powder will increase. The Group has already entered into the mainland milk powder market, making the Guangdong province as the starting point to expand the Group's retail network. Besides, the Group also seized the opportunity to develop Eastern Guangdong by establishing the Four Seas Food Wholesale Centre in Shantou, inducing the wholesalers in Guangdong province to purchase Four Seas brand products there in order to develop a sustainable business model. Furthermore, with a view to strive for better results, the Group is planning to further introduce its brand and products to different mainland cities by phases through expansion of its sales network and deepening its 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 31 March 2014, the Group held cash and cash equivalents of HK$745,823,000. As at 31 March 2014, the Group had banking facilities of approximately HK$2,312,119,000, of which 36% had been utilised. The Group had a gearing ratio of 63% as at 31 March 2014. 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 31 March 2014, the Group had no significant contingent liabilities.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2014 was approximately 4,200. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2014.

CORPORATE GOVERNANCE

The Company and management are committed to maintain good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential to continual growth and enhancement of shareholders' value. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance. Throughout the year under review, the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 (the "Articles of Association"). 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.

CORPORATE GOVERNANCE (continued)

In accordance with the Articles of Association, 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 casual vacancy seldom appears and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's 2014 Annual Report, which will be sent to the shareholders in due course.

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 year ended 31 March 2014.

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 year ended 31 March 2014.

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 considered and reviewed the accounting principles and practices adopted by the Group and has discussed with the management in relation to internal controls and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 31 March 2014.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement was published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.fourseasgroup.com.hk. The annual report of the Company for the year ended 31 March 2014, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

APPRECIATION

The Board of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and the fellow directors and our staff for their dedication and hard work throughout the reporting year.

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
Four Seas Mercantile Holdings Limited
TAI Tak Fung, Stephen, *GBS, SBS, JP*
Chairman

Hong Kong, 27 June 2014

**For identification purpose only*