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 2015

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 2015, together with the comparative figures for the previous year, as follows:

**For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
REVENUE	4	**2,907,497**	2,910,406
Cost of sales		**(1,866,995)**	(1,915,303)
Gross profit		**1,040,502**	995,103
Other income and gains, net	4	**28,742**	42,547
Selling and distribution expenses		**(571,209)**	(546,828)
Administrative expenses		**(291,707)**	(278,169)
Other operating expenses		**(10,348)**	(14,030)
Finance costs	5	**(15,538)**	(15,185)
Share of profits and losses of associates		**4,108**	8,510
PROFIT BEFORE TAX	3 & 6	**184,550**	191,948
Income tax expense	7	**(47,201)**	(39,668)
PROFIT FOR THE YEAR		**137,349**	152,280
Attributable to:			
Equity holders of the Company		**140,185**	160,137
Non-controlling interests		**(2,836)**	(7,857)
		137,349	152,280
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	9	**HK36.4 cents**	HK41.3 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 2015

	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**137,349**	152,280
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**9,371**	36,085
Reclassification adjustments for gains/losses included in the consolidated statement of profit or loss		
- gain on disposal	**(26,251)**	(24,182)
- impairment losses	**-**	418
	(16,880)	12,321
Exchange differences on translation of foreign operations	**320**	(2,007)
Share of other comprehensive income/(loss) of associates	**(46)**	447
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(16,606)**	10,761
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**120,743**	163,041
Attributable to:		
Equity holders of the Company	**123,583**	171,378
Non-controlling interests	**(2,840)**	(8,337)
	120,743	163,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**588,313**	563,252
Investment property		**20,125**	19,958
Prepaid land lease payments		**106,578**	109,645
Goodwill		**36,812**	36,739
Investments in associates		**180,679**	164,391
Available-for-sale investments		**3,791**	47,639
Deposits		**32,600**	21,424
Deferred tax assets		**3,789**	1,530
Total non-current assets		**972,687**	964,578
CURRENT ASSETS			
Due from associates		**-**	23
Inventories		**339,485**	270,093
Trade receivables	10	**534,758**	494,499
Prepayments, deposits and other receivables		**102,380**	105,455
Tax recoverable		**1,121**	145
Financial assets at fair value through profit or loss		**27,312**	9,334
Cash and cash equivalents		**857,587**	745,823
Total current assets		**1,862,643**	1,625,372
CURRENT LIABILITIES			
Trade payables, other payables and accruals	11	**375,391**	357,810
Interest-bearing bank borrowings		**911,149**	773,045
Tax payable		**22,183**	21,031
Total current liabilities		**1,308,723**	1,151,886
NET CURRENT ASSETS		**553,920**	473,486
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,526,607**	1,438,064

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**80,551**	60,284
Deferred tax liabilities		**20,712**	19,095
Total non-current liabilities		**101,263**	79,379
Net assets		**1,425,344**	1,358,685
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**38,425**	38,790
Reserves		**1,336,012**	1,266,555
Proposed final dividend	8	**24,977**	23,275
		1,399,414	1,328,620
Non-controlling interests		**25,930**	30,065
Total equity		**1,425,344**	1,358,685

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, which because the Company has not early adopted the revised Rules Governing the Listing of Securities (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). 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 2015. 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 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 revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of above revised standards and interpretation has had no significant financial effect on these financial statements.

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) 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	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers*	**1,939,080**	1,920,248	**968,417**	990,158	**2,907,497**	2,910,406
Intersegment sales	**1,437**	4,022	**228,793**	239,417	**230,230**	243,439
	1,940,517	1,924,270	**1,197,210**	1,229,575	**3,137,727**	3,153,845
Reconciliation:						
Elimination of intersegment sales					**(230,230)**	(243,439)
Revenue					**2,907,497**	2,910,406
Segment results	**201,683**	176,327	**(7,864)**	6,793	**193,819**	183,120
Reconciliation:						
Interest income					**2,360**	1,376
Dividend income and unallocated gains					**20,371**	35,677
Impairment of available-for-sale investments					**-**	(418)
Finance costs					**(15,538)**	(15,185)
Share of profits and losses of associates					**4,108**	8,510
Corporate and other unallocated expenses					**(20,570)**	(21,132)
Profit before tax					**184,550**	191,948
Segment assets	**1,108,697**	1,048,142	**970,982**	853,184	**2,079,679**	1,901,326
Reconciliation:						
Elimination of intersegment receivables					**(318,628)**	(280,238)
Investments in associates					**180,679**	164,391
Corporate and other unallocated assets					**893,600**	804,471
Total assets					**2,835,330**	2,589,950
Segment liabilities	**328,661**	290,320	**365,358**	347,728	**694,019**	638,048
Reconciliation:						
Elimination of intersegment payables					**(318,628)**	(280,238)
Corporate and other unallocated liabilities					**1,034,595**	873,455
Total liabilities					**1,409,986**	1,231,265
Other segment information:						
Impairment/(reversal of impairment) of trade receivables	**(794)**	17	**-**	43	**(794)**	60
Write-down of slow-moving inventories	**64**	98	**764**	927	**828**	1,025
Depreciation and amortisation	**23,072**	22,329	**37,291**	36,084	**60,363**	58,413
Capital expenditure**	**23,846**	17,085	**60,565**	42,279	**84,411**	59,364
Non-current assets***	**196,248**	197,096	**555,580**	532,498	**751,828**	729,594

* The revenue information above is based on the locations of the customers.

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

*** The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and investments in associates.

4. REVENUE, OTHER INCOME AND GAINS, NET

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, net is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**2,907,497**	2,910,406
Other income		
Bank interest income	**2,360**	1,376
Dividend income from listed available-for-sale investments	**172**	8,414
Rental income	**1,246**	1,215
Others	**4,640**	4,279
	8,418	15,284
Gains		
Investment gains	**-**	257
Fair value gain on an investment property	**125**	-
Fair value gains/(losses), net:		
Available-for-sale investments (transfer from equity on disposal)	**26,251**	24,182
Financial assets at fair value through profit or loss	**(6,052)**	2,824
	20,324	27,263
	28,742	42,547

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**15,538**	15,185

6. PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**1,866,167**	1,914,278
Depreciation	**57,062**	55,069
Amortisation of prepaid land lease payments	**3,301**	3,344
Minimum lease payments under operating leases in respect of land and buildings	**173,164**	160,309
Auditors' remuneration	**3,874**	3,863
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**323,296**	309,970
Pension scheme contributions**	**16,831**	17,728
	340,127	327,698
Loss on disposal/write-off of items of property, plant and equipment, net	**1,932**	3,386
Foreign exchange differences, net	**(2,612)**	(2,003)
Rental income on an investment property less direct operating expenses of HK$816,000 (2014: HK$720,000)	**(430)**	(495)
Impairment of available-for-sale investments*	**-**	418
Impairment/(reversal of impairment) of trade receivables*	**(794)**	60
Write-down of slow-moving inventories***	**828**	1,025

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

** At 31 March 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: Nil).

*** The write-down of slow-moving inventories is 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% (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**40,654**	33,906
Current – Elsewhere		
Charge for the year	**7,607**	4,964
Overprovision in prior years	**(390)**	(194)
Deferred	**(670)**	992
Total tax charge for the year	**47,201**	39,668

The share of tax attributable to associates amounting to HK$2,492,000 (2014: HK$4,463,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim – HK3.0 cents (2014: HK2.0 cents) per ordinary share	**11,528**	7,758
Proposed final – HK6.5 cents (2014: HK6.0 cents) per ordinary share	**24,977**	23,275
	36,505	31,033

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 2015 and 2014 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:

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**140,185**	160,137

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**385,548,977**	387,909,640

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:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**208,203**	213,314
1 to 2 months	**90,325**	86,030
2 to 3 months	**101,693**	85,510
Over 3 months	**134,537**	109,645
	534,758	494,499

Included in trade receivables are amounts due from the Group's associates of HK$1,415,000 (2014: HK$1,320,000) and a subsidiary of Hong Kong Food Investment Holdings Limited ("HKFH"), a substantial shareholder of the Company, of HK$231,000 (2014: HK$254,000), 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$210,212,000 (2014: HK$201,579,000). An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**141,531**	148,367
1 to 2 months	**36,019**	31,581
2 to 3 months	**15,513**	8,965
Over 3 months	**17,149**	12,666
	210,212	201,579

Included in the trade payables are trade payables of HK$53,037,000 (2014: HK$50,509,000) 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 recommended the payment of a final dividend of HK6.5 cents in cash per ordinary share for the year ended 31 March 2015. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 27 August 2015 (the "AGM"), the said dividend will be paid in cash on Tuesday, 29 September 2015 to shareholders of the Company whose names appear in the register of members of the Company as at the close of business on Thursday, 10 September 2015. Together with the interim dividend of HK3.0 cents per ordinary share, the total dividends per ordinary share for the financial year ended 31 March 2015 is HK9.5 cents (2014: HK8.0 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, 25 August 2015 to Thursday, 27 August 2015, 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, 24 August 2015; and

(ii) from Tuesday, 8 September 2015 to Thursday, 10 September 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2015. In order to be eligible to receive 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 September 2015. The proposed final dividend is subject to the shareholders' approval at the AGM. The record date for entitlement to the proposed final dividend is Thursday, 10 September 2015 and the payment of final dividend will be made on Tuesday, 29 September 2015.

BUSINESS REVIEW AND PROSPECTS

RESULTS

“Stable yet progressive growth” was the summary of the Group’s performance last year. Under the uncertain global economic environment and slowdown of the economic growth of Mainland China and Hong Kong, the Group continued to achieve steady performance in the financial year 2015. Strong brand advantages, diversified product categories, broad distribution network, solid consumer support and stringent quality control as well as relatively low level of the exchange rate of Japanese yen within the financial year contributed to the Group’s performance.

In the annual results for the year ended 31 March 2015, the Group’s consolidated turnover remained stable at HK$2,907,497,000 (2014: HK$2,910,406,000). The profit for the year attributable to equity holders of the Company stood at HK$140,185,000 (2014: HK$160,137,000). Sales for both Hong Kong and Mainland China remained solid. The sales derived from Hong Kong was HK$1,939,080,000 (2014: HK$1,920,248,000), representing an increase of approximately 1% and accounting for 67% of the Group’s total sales. The sales in Mainland China was HK$968,417,000 (2014: HK$990,158,000), representing a decrease of approximately 2% and corresponding to 33% of the Group’s total sales. The segmental result of Hong Kong recorded an improvement during the year but the segmental result of Mainland China has been influenced by the downturn of its performance.

BUSINESS REVIEW

Established in 1971, the Group has been developed into a famous brand in Hong Kong and Mainland China over the past 44 years. It began business in food importing and distribution, and expanded to food manufacturing by setting up its own plants in Hong Kong and Mainland China as well as food retailing by building its own specialty store chain. Gradually, the Group moved on to open its own restaurants and established its own brand. Such development reflected the strong synergies of the Group’s businesses.

BUSINESS REVIEW (continued)

The Group now produces and distributes a wide range of food products, serving different customer segments. It has a powerful distribution network, including supermarkets, convenience store chains, department stores, fast food chains, wholesalers, retailers, restaurants, hotels, bars and airlines. The Group also owns specialty stores, including Japanese snack store “Okashi Land” and cookie store “YOKU MOKU”.

Distribution Business

Food distribution is the core business of the Group. It has been steadily developed over the years through comprehensive distribution network and superb sales teams that bring in high-quality food products from overseas. Currently, the Group distributes food of internationally renowned brands from many countries, such as Japan, Mainland China, Korea, Malaysia, Singapore, Indonesia, Thailand, Philippines, Australia, New Zealand, Britain, Ireland, France, Germany, Italy, Denmark, Holland, Belgium, South Africa, the United States and Canada. To meet the demand of different customers, a great variety of products are provided, including milk powder, snacks, health food, beverages, sauce, seasonings, ham and sausages.

Manufacturing Business

Over the years, the Group gained market trust and confidence and received numerous international accreditations, including “HACCP”, “ISO 9001”, “ISO 22000” and “Hong Kong Q-Mark Product Scheme Certification”. The Group has a total of 20 manufacturing plants in Hong Kong and Mainland China. With stringent quality control and sophisticated management system, the Group produces a wide range of food products to suit different customer needs through its one-stop business platform.

BUSINESS REVIEW AND PROSPECTS (continued)

BUSINESS REVIEW (continued)

Retailing and Catering Businesses

The Group has solid retail footholds across Hong Kong. With its well-known specialty stores, the Group has developed strong brand equity. The Group's specialty store "Okashi Land" and Japanese cookie store "YOKU MOKU" have reached many areas of the city. The catering businesses, including Japanese style "Shiki・Etsu", Shanghai Vegetarian Cuisine "Kung Tak Lam", Japanese-style dumpling fast food shop "Osaka Ohsho" in Hong Kong, together with "Panxi Restaurant" in Guangzhou, Japanese restaurants "Mori Café" as well as sushi restaurant chain "Sushi Oh" in Mainland China are well received by customers owing to their perfect ambience and superior management.

BRAND DEVELOPMENT

Consistent efforts in the past 44 years to produce safe, delicious and quality food, as well as the strong awareness of food hygiene, food safety and quality food ingredient have made the Group a famous 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.

Japanese food distribution was the Group's major business in the early years. As the scale increased, the Group expanded its businesses to food manufacturing and retailing in order to diversify business and develop the "Four Seas" brand.

Many years of efforts allowed the Group to enter a new stage of development. Apart from pursuing business growth, it devotes effort to build its long-term brand image and expand into the Mainland market, serving as a bridge between the Mainland and the world. It will not only introduce good quality food to the Mainland, bringing in more choices and enjoyments, but also take the Mainland food products to the international arena, helping them expand overseas.

BUSINESS REVIEW AND PROSPECTS (continued)

CORPORATE SOCIAL RESPONSIBILITY

The Group has been devoting tremendous resources to promote community services in Hong Kong. Last year, it received the “Distinguished Family-Friendly Employer” and “Award for Innovation” of 2013/2014 Family-Friendly Employers Award Scheme from the Home Affairs Bureau and the Family Council. Besides, it supported different sectors of the community, including Junior Police Call, schools, elderly and women cares organisations, kaifong welfare associations, and community organisations by sponsoring Four Seas delicate products to share the Group’s spirit of “Eating Happily”.

Moreover, the Group’s business is well recognised in the market. It has been accredited with various awards, including “Asian Social Caring Leadership Award” of Social Caring Pledge Scheme, “Special Achievement Award” of Asia Pacific Entrepreneurship Awards, “Corporate Achievement Award” of Outstanding Import & Export Enterprise Awards 2014, “Hong Kong Outstanding Enterprises 2014”, “Outstanding Corporate Image Award 2014”, “Most Valuable Services Awards in Hong Kong 2014”, “Hong Kong’s Most Valuable Companies Awards 2014”, and “QTS Merchant” of the Quality Tourism Services Scheme. Besides, the Group received “Caring Company Award” by the Hong Kong Council of Social Service and “Manpower Developer 2013-2017” of Manpower Developer Award Scheme by Employees Retraining Board consecutively for a number of years.

The Group’s distribution and manufacturing businesses also received numerous awards, including “7-Eleven Top Brands Campaign Award 2014”, “Most Popular Snack Series” of Health & Beauty Awards, “Kids Favourite Brands Award” of Favourite Brands Awards, “Outstanding Category Performance Awards” of Favourite Brands Awards 2014 and the “Hong Kong Q-Mark Licence” by the Federation of Hong Kong Industries for 26 consecutive years.

CORPORATE SOCIAL RESPONSIBILITY (continued)

In addition, the Group's retailing and catering businesses achieved accreditations as well. The "Kung Tak Lam Shanghai Vegetarian Cuisine" received the "Best-Ever Vegetarian Restaurant" by the "Best-Ever Dining Awards 2014", and "Shiki・Etsu Japanese Restaurant" is also awarded "Quality Merchant Awards 2014" by Group Buyer.

These achievements are definitely strong affirmations to the Group's involvement in community services, encouraging it to quest for excellence in developing the food market in Hong Kong and the Mainland.

PROSPECTS

"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 strengthening its food and snacks businesses in Mainland China.

Business in Hong Kong

Based in Hong Kong, the Group will continue to strengthen its market share and its leading role in the food market, bringing in different catering experiences to consumers. Recently, the Group has successfully introduced Japanese premium cookie brand "YOKU MOKU" to Hong Kong, and it is well received by consumers. After opening specialty stores in Hong Kong Island, Kowloon and New Territories, as well as Macau, the Group plans to expand the brand "YOKU MOKU" this year by launching the first "YOKU MOKU" specialty café at Avenue Walk in Wan Chai, providing a leisure space for its fans to enjoy delicious cookies and pastries in this bustling city.

The Group will keep introducing different types of snack products, providing consumers with new choices and enjoyments. It will also continue to seize opportunities in the market to broaden its retail network, enabling its products to be more accessible to different segments of consumers.

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS (continued)

Business in Mainland China

Unveiled on 21st April this year, the China (Guangdong) Pilot Free Trade Zone brought new business opportunities to the Group. “Four Seas Food International Trading Platform” is one of the first authorized core projects in the zone at the Nansha New Area in Guangzhou. It enables the Group to widen its sales platform and reveals the fact that the Group’s operation is highly regarded with strong trust and support.

In response to the latest development, the Group plans to utilise the “Four Seas Food International Trading Platform” to introduce diversified food products from different countries into the Free Trade Zone through cross-border E-commerce platform, allowing consumers to buy the Group’s food products directly on the Internet. Excellent food quality, wide range of choices, guaranteed food safety, fast purchase and reasonable pricing are the five key advantages that the food platform will offer. Consumers in Mainland China can place orders to purchase the Group’s internationally imported products through this one-stop online shopping platform.

The entrepreneurial spirit and business direction of the Group are fully in line with the needs of Mainland China’s development. While the country is taking initiatives to stimulate domestic consumption and paying increasing attention to food quality and safety, the Group will continue to devote efforts on food hygiene, safety and quality to meet the market needs. Such development will benefit to the Group’s business in Mainland China.

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS (continued)

Business in Mainland China (continued)

The Group will continue to promote the Four Seas brand and its products to different cities in Mainland China as well as widening its sales network. This year, the Group has successfully secured the distribution right of Germany famous sweets brand "HARIBO" in Hong Kong and Mainland China. Through different sales channels, it will further deepen its penetration in the Mainland China 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 2015, the Group held cash and cash equivalents of HK$857,587,000. As at 31 March 2015, the Group had banking facilities of HK$2,615,575,000 of which 38% had been utilised. The Group had a gearing ratio of 71% as at 31 March 2015. 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 2015, the Group had no significant contingent liabilities.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2015 was approximately 4,100. 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are summarised as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
July 2014	1,644,000	5.02	4.65	8,051
August 2014	1,040,000	4.77	4.65	4,901
September 2014	968,000	4.86	4.60	4,618
	3,652,000			17,570

All the repurchased shares were cancelled by the Company. The issued share capital of the Company was reduced by the nominal value of these cancelled shares. The premium paid on the repurchase was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred from retained profits to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandates granted by shareholders at the annual general meetings held on 23 August 2013 and 28 August 2014, respectively, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

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 (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.

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.

CORPORATE GOVERNANCE (continued)

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's 2015 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 2015.

The Company has also established the Code for Securities Transactions by 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 2015.

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 2015.

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 2015 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. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's 2015 annual results announcement is 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 2015, 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. 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, 29 June 2015