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 2017

RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") announces the preliminary consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, 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 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	4	**2,948,289**	2,941,468
Cost of sales		**(2,028,309)**	(1,993,103)
Gross profit		**919,980**	948,365
Other income and gains	4	**132,317**	23,573
Selling and distribution expenses		**(645,036)**	(594,505)
Administrative expenses		**(297,944)**	(290,621)
Other operating expenses		**(14,903)**	(11,533)
Finance costs	5	**(16,785)**	(16,764)
Share of profits and losses of associates		**748**	8,062
PROFIT BEFORE TAX	3 & 6	**78,377**	66,577
Income tax expense	7	**(24,978)**	(21,362)
PROFIT FOR THE YEAR		**53,399**	45,215
Attributable to:			
Equity holders of the Company		**50,274**	45,827
Non-controlling interests		**3,125**	(612)
		53,399	45,215
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	9	**HK13.1 cents**	HK11.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**53,399**	45,215
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**39**	(64)
Reclassification adjustment for gain included in the consolidated statement of profit or loss - gain on disposal	**(16)**	-
	23	(64)
Exchange differences:		
Exchange differences on translation of foreign operations	**(54,789)**	(35,997)
Reclassification adjustments for foreign operations disposed of during the year	**(6,067)**	-
Share of other comprehensive loss of associates	**(3,396)**	(3,712)
Reclassification adjustment for share of an associate's other comprehensive income upon disposal of the associate	**-**	(2,874)
	(64,252)	(42,583)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(64,229)**	(42,647)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(10,830)**	2,568
Attributable to:		
Equity holders of the Company	**(12,452)**	4,148
Non-controlling interests	**1,622**	(1,580)
	(10,830)	2,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**502,319**	602,187
Investment property		**18,607**	19,362
Prepaid land lease payments		**88,277**	99,395
Goodwill		**43,680**	49,580
Other intangible assets		**4,172**	5,993
Investments in associates		**158,735**	161,041
Available-for-sale investments		**1,188**	1,351
Deposits		**30,721**	32,285
Deferred tax assets		**8,629**	8,771
Total non-current assets		**856,328**	979,965
CURRENT ASSETS			
Inventories		**273,836**	339,981
Trade receivables	10	**551,098**	568,798
Prepayments, deposits and other receivables		**142,098**	131,638
Tax recoverable		**8,211**	16,669
Financial assets at fair value through profit or loss		**47,444**	43,315
Cash and cash equivalents		**839,440**	799,432
		1,862,127	1,899,833
Assets held for sale	12	**45,307**	-
Total current assets		**1,907,434**	1,899,833
CURRENT LIABILITIES			
Trade payables, other payables and accruals	11	**365,034**	341,660
Interest-bearing bank borrowings		**930,120**	1,004,317
Tax payable		**20,363**	12,098
Total current liabilities		**1,315,517**	1,358,075
NET CURRENT ASSETS		**591,917**	541,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,448,245**	1,521,723

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2017

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**82,469**	105,205
Deferred tax liabilities	**18,043**	20,107
Total non-current liabilities	**100,512**	125,312
Net assets	**1,347,733**	1,396,411
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**38,425**	38,425
Reserves	**1,279,675**	1,328,632
	1,318,100	1,367,057
Non-controlling interests	**29,633**	29,354
Total equity	**1,347,733**	1,396,411

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, 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. Non-current assets classified as held for sale are stated at the lower of carrying amounts and fair values less costs to sell. 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on the consolidated financial statements 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, noodles, ham and ham-related products, and the operations of restaurants.

3. OPERATING SEGMENT INFORMATION (continued)

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, gain on disposal/deemed disposal of associates, 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	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers*	**2,030,204**	2,004,350	**918,085**	937,118	**2,948,289**	2,941,468
Intersegment sales	**11,450**	9,662	**194,868**	212,255	**206,318**	221,917
	2,041,654	2,014,012	**1,112,953**	1,149,373	**3,154,607**	3,163,385
Reconciliation:						
Elimination of intersegment sales					**(206,318)**	(221,917)
Revenue					**2,948,289**	2,941,468
Segment results	**67,589**	86,660	**26,952**	(6,407)	**94,541**	80,253
Reconciliation:						
Interest income					**3,497**	2,224
Dividend income and unallocated gains					**20,257**	2,478
Gain on disposal of associates					**-**	12,012
Gain on deemed disposal of associates					**-**	336
Finance costs					**(16,785)**	(16,764)
Share of profits and losses of associates					**748**	8,062
Corporate and other unallocated expenses					**(23,881)**	(22,024)
Profit before tax					**78,377**	66,577
Segment assets	**1,139,995**	1,189,527	**882,392**	997,823	**2,022,387**	2,187,350
Reconciliation:						
Elimination of intersegment receivables					**(322,272)**	(338,131)
Investments in associates					**158,735**	161,041
Corporate and other unallocated assets					**904,912**	869,538
Total assets					**2,763,762**	2,879,798
Segment liabilities	**376,341**	340,026	**310,965**	339,765	**687,306**	679,791
Reconciliation:						
Elimination of intersegment payables					**(322,272)**	(338,131)
Corporate and other unallocated liabilities					**1,050,995**	1,141,727
Total liabilities					**1,416,029**	1,483,387
Other segment information:						
Impairment/(reversal of impairment) of trade receivables	**79**	(60)	**70**	417	**149**	357
Write-down of slow-moving inventories	**990**	12	**5,588**	1,920	**6,578**	1,932
Depreciation and amortisation	**28,789**	26,792	**41,955**	41,907	**70,744**	68,699
Gain on disposal of subsidiaries	**38,306**	-	**61,740**	-	**100,046**	-
Capital expenditure**	**60,561**	52,550	**21,715**	52,689	**82,276**	105,239
Non-current assets***	**195,114**	234,459	**461,941**	542,058	**657,055**	776,517

* 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, investment property and other intangible assets including assets from the acquisition of a subsidiary.

*** The non-current assets 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

Revenue represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains is as follows:

	Note	**2017** **HK$'000**	2016 *HK$'000*
Revenue		**2,948,289**	2,941,468
Other income			
Bank interest income		**3,497**	2,224
Commission income		**228**	269
Dividend income		**591**	13
Rental income		**1,245**	1,261
Others		**6,583**	4,993
		12,144	8,760
Gains			
Gain on disposal of an available-for-sale investment stated at cost		**-**	688
Gain on disposal of associates		**-**	12,012
Gain on deemed disposal of associates		**-**	336
Gain on disposal of subsidiaries	13	**100,046**	-
Fair value gain on an investment property		**461**	-
Fair value gains:			
Available-for-sale investments (transfer from equity on disposal)		**16**	-
Financial assets at fair value through profit or loss		**19,650**	1,777
		120,173	14,813
		132,317	23,573

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 **HK$'000**	2016 *HK$'000*
Interest on bank and trust receipt loans	**16,785**	16,764

6. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**2,021,731**	1,991,171
Depreciation	**65,971**	64,739
Amortisation of prepaid land lease payments	**2,952**	3,202
Amortisation of other intangible assets	**1,821**	758
Minimum lease payments under operating leases	**183,047**	181,590
Auditor's remuneration	**4,037**	3,825
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**368,135**	351,549
Pension scheme contributions*	**17,330**	15,281
	385,465	366,830
Loss on disposal/write-off of items of property, plant and equipment and prepaid land lease payments, net	**5,515**	1,709
Foreign exchange differences, net	**2,839**	6,677
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property	**782**	902
Impairment of trade receivables**	**149**	357
Write-down of slow-moving inventories***	**6,578**	1,932

* At 31 March 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2016: Nil).

** The impairment of trade receivables is included in "Other operating expenses" in the consolidated statement of profit or loss.

*** 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% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**16,164**	18,942
Current – Elsewhere		
Charge for the year	**10,004**	8,224
Overprovision in prior years	**(78)**	(353)
Deferred	**(1,112)**	(5,451)
Total tax charge for the year	**24,978**	21,362

The share of tax attributable to associates amounting to HK$2,710,000 (2016: HK$2,924,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim – HK3.0 cents (2016: HK3.0 cents) per ordinary share	**11,528**	11,528
Declared special interim dividend – HK30.0 cents (2016: Nil) per ordinary share	**115,277**	-
Proposed final – HK6.5 cents (2016: HK6.5 cents) per ordinary share	**24,977**	24,977
	151,782	36,505

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Subsequent to the end of the reporting period, on 30 June 2017, a special interim dividend of HK$30.0 cents per ordinary share totalling approximately HK$115,277,000 was declared by the Company.

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 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2017 and 2016.

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**50,274**	45,827

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**384,257,640**	384,257,640

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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**224,648**	223,618
1 to 2 months	**94,584**	103,180
2 to 3 months	**89,117**	101,963
Over 3 months	**142,749**	140,037
	551,098	568,798

Included in trade receivables is an amount due from a subsidiary of Hong Kong Food Investment Holdings Limited ("HKFH"), a substantial shareholder of the Company, of HK$314,000 (2016: Nil), which is repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$164,943,000 (2016: HK$184,760,000). An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**112,067**	122,903
1 to 2 months	**25,884**	30,443
2 to 3 months	**11,710**	13,160
Over 3 months	**15,282**	18,254
	164,943	184,760

Included in the trade payables are amounts due to the Group's associates of HK$40,687,000 (2016: HK$38,247,000) and a subsidiary of HKFH, a substantial shareholder of the Company, of HK$141,000 as at 31 March 2016, 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.

12. ASSETS HELD FOR SALE

On 20 March 2017, the Group entered into a sale and leaseback agreement with an independent third party to dispose of a property situated in Hong Kong for a cash consideration of HK$368,000,000 (the "Property Disposal"). The transaction was completed on 19 May 2017. As at 31 March 2017, the relevant leasehold land and building with a carrying amount of HK$45,307,000 included in Hong Kong operating segment was classified as held for sale.

13. DISPOSAL OF SUBSIDIARIES

During the year, the Group had the following disposal of subsidiaries:

(a) the disposal of 100% equity interests in a subsidiary, which held the entire interests in a subsidiary in Mainland China engaging in raising and sale of livestocks, for a total consideration of HK$45,000,000. The gain on the disposal before tax amounted to approximately HK$40,326,000 and gain on the disposal net of tax amounted to approximately HK$37,816,000;

(b) the disposal of 100% equity interests in a subsidiary in Mainland China, which held a poultry farm, for a total consideration of approximately HK$25,562,000. The gain on the disposal before tax amounted to approximately HK$21,414,000 and gain on the disposal net of tax amounted to approximately HK$20,356,000; and

(c) the disposal of 100% equity interests in a subsidiary in Hong Kong, which held a property, for a total consideration of HK$62,000,000. The gain on the disposal (before and after tax) amounted to approximately HK$38,306,000.

14. EVENT AFTER THE REPORTING PERIOD

The Property Disposal, which was completed on 19 May 2017, is expected to result in a total gain on disposal before tax of approximately HK$320 million, net of directly attributable transaction costs. In accordance with the requirements of the relevant accounting principles relating to sale and leaseback arrangement, part of the gain will be deferred and amortised over the leaseback period.

SPECIAL INTERIM DIVIDEND

Reference is made to the announcement of the Company dated 20 March 2017 in connection with the disposal of the property situated at Sai Kung, the New Territories (the "Property Disposal"). Completion of the Property Disposal has taken place on 19 May 2017. After taking into consideration the existing cash flow of the Group pertaining to the completion of the Property Disposal, the Board decided to apply part of the proceeds from the Property Disposal with an amount of approximately HK$115,277,000 for the distribution of a special interim dividend for the year ended 31 March 2017 and resolved to declare the said special interim dividend of HK30.0 cents in cash per ordinary share, payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 20 July 2017. The special interim dividend will be paid on Thursday, 10 August 2017.

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 2017. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Wednesday, 30 August 2017 (the "AGM"), the said final dividend will be paid in cash on Thursday, 28 September 2017 to shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Friday, 8 September 2017. Together with the interim dividend of HK3.0 cents per ordinary share and the special interim dividend of HK30.0 cents per ordinary share, the total dividends per ordinary share for the financial year ended 31 March 2017 are HK39.5 cents (2016: HK9.5 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, 18 July 2017 to Thursday, 20 July 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the special interim dividend for the year ended 31 March 2017. In order to qualify for the said special interim dividend, unregistered holders of shares of the Company should ensure that 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, 17 July 2017. The record date for entitlement to the special interim dividend is Thursday, 20 July 2017 and the payment of the special interim dividend will be made on Thursday, 10 August 2017;

CLOSURE OF REGISTER OF MEMBERS (continued)

(ii) from Thursday, 24 August 2017 to Wednesday, 30 August 2017, 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, unregistered holders of shares of the Company should ensure that 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 Wednesday, 23 August 2017; and

(iii) from Wednesday, 6 September 2017 to Friday, 8 September 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2017. In order to qualify for the said proposed final dividend, unregistered holders of shares of the Company should ensure that 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 Tuesday, 5 September 2017. The proposed final dividend is subject to the shareholders' approval at the AGM. The record date for entitlement to the proposed final dividend is Friday, 8 September 2017 and the payment of final dividend will be made on Thursday, 28 September 2017.

BUSINESS REVIEW AND PROSPECTS

The Group has developed its business by pursuing a progress with consolidation strategy in the year under review. In the first half of the year, the Group was affected by the volatile retail industry coupled with the appreciation of the Japanese yen and the intense competition within the industry. The Group responded to these challenges by making timely and strategic adjustments to maintain its competitiveness and market share. In the second half of the year, performance of the Group has become steady while sustaining its market leadership owing to factors such as the improvement of the market conditions in Hong Kong and softening of the Japanese yen.

RESULTS

In the annual results for the year ended 31 March 2017, the Group's consolidated revenue increased modestly to HK$2,948,289,000 (2016: HK$2,941,468,000). The profit for the year attributable to equity holders of the Company increased to HK$50,274,000 (2016: HK$45,827,000). Sales for Hong Kong and Mainland China performed steadily. The sales derived from Hong Kong was HK$2,030,204,000 (2016: HK$2,004,350,000) accounting for 69% of the Group's total sales. The sales in Mainland China was HK$918,085,000 (2016: HK$937,118,000) corresponding to 31% of the Group's total sales.

The Group has recorded some one-off gains net of tax in the year under review. These one-off gains net of tax come from (i) the gain from disposing a non-core subsidiary of the Group holding a livestock farm amounted to approximately HK$38 million, (ii) the gain from disposing a non-core subsidiary of the Group holding a poultry farm amounted to approximately HK$20 million, and (iii) the gain from disposing a non-core subsidiary of the Group holding a property amounted to approximately HK$38 million.

BUSINESS REVIEW

The Group distributes and produces a range of food products that cater for customers and segments of all ages. Its multifaceted food business covers distribution, manufacturing, retailing and catering. The Group's distribution network stretches from supermarkets, convenience store chains, department stores, fast food chains, wholesalers, retailers, restaurants, hotels, bars and airlines. It distributes food items from China, Japan, Korea, Malaysia, Indonesia, Thailand, the Philippines, Australia, Ireland, France, Germany, Holland, Belgium, South Africa and the United States covering food categories such as snacks, milk powder, beverages, sauce, seasonings, ham and sausages.

Last year, the Group has stayed innovative in food distribution, retail and catering businesses, and brought new surprises to food lovers in Hong Kong.

BUSINESS REVIEW (continued)

Distribution Business

Food distribution is the core business of the Group and it has been developing steadily. The Group has a wide range of distribution networks and a good sales team that constantly explore around the world to source unique and high-quality food to give food lovers in Hong Kong and Mainland more quality options. Last year, the Group has successfully introduced the famous Japanese brand, "Lotte ice cream". The ice-cream comes with different flavors including vanilla, chocolate, Uji green tea, strawberry and rum raisin together with sorbet flavored by Fuji apple, grape and mango. "Lotte ice cream" becomes a popular item and is widely sold in convenience stores.

Manufacturing Business

Apart from distribution, the Group has 20 production plants in Hong Kong and Mainland China that produce different kinds of quality food products. With stringent quality control and comprehensive monitoring system in production, the Group has gained market trust and confidence in its manufacturing plants that results in various international accreditations such as the "HACCP", "ISO 9001", "ISO 22000" and "Hong Kong Q-Mark Product Scheme Certification". Owing to its strong sales networks as well as its streamlined one-stop platform, the Group has successfully created products that satisfy different market demands and are well received in the market.

Retailing and Catering Businesses

The Group strives for innovation in order to maintain the strength of its retailing and catering businesses. "Okashi Land" Japanese snack stores and "YOKU MOKU" cookie stores have solid sales in Hong Kong and Macau, while "Calbee PLUS" and "Foodfie" have become popular among consumers. Murray Catering Company Limited, a school lunch box and tuck shop service provider acquired by the Group the year before, has been developing steadily in the year under review. Besides, the Group's Japanese and Chinese restaurants are well received in Hong Kong and Guangdong, including Hong Kong managed "Blue Brick Bistro by YOKU MOKU", Japanese style restaurant "Shiki•Etsu", Shanghai vegetarian cuisine "Kung Tak Lam", and Japanese style dumpling fast food shop "Osaka Ohsho". In Guangzhou, "Panxi Restaurant", Japanese restaurant "Mori Café" and sushi restaurant chain "Sushi Oh" are famous among food lovers. In addition, the Group has recently introduced a brand in SOGO at Causeway Bay that is well-known for making Kagoshima fried fish cake called "Qjiki" and it has received rave reviews.

BRAND DEVELOPMENT

Founded in 1971, the Group has been rooted in Hong Kong and adheres to its motto, "Eating Safely, Eating Happily". The motto serves as a principle that guides the Group to put food safety as its first priority. Internally, the Group has a stringent monitoring system to ensure the production of quality products. After 46 years of dedicated hard work, the Group has become a well-known brand in Hong Kong and Mainland China.

Growing up in Hong Kong, the Group is a typical Hong Kong legend. Following market changes, the Group has been capable of embarking on a new level of development. With its well-known brand image and reputation, the Group, on one hand, expands its market share in Hong Kong and, on the other hand, taps the Mainland China market. It firmly believes that quality food should be shared together and so it plays an active role as a food "ambassador" by introducing overseas food into Mainland China while taking Mainland China food to the international market.

CORPORATE SOCIAL RESPONSIBILITY

Being a member of the community, the Group upholds the spirit of "receiving from the society and giving back to the society" by actively promoting a harmonious community and sponsoring various community organisations, including Junior Police Call, schools, elderly and women's organisations, youth associations, Kaifong welfare organisations and other federations. Such move allows the organisations to enjoy the Group's diversified products and share the Group's spirit of "Eating Happily".

Last year, the Group has received numerous awards, including "Outstanding Social Caring Organisation Award" presented by the Social Enterprise Research Institute, "Hong Kong's Most Valuable Companies Award 2017" presented by Mediazone, "Hong Kong Outstanding Enterprise 2016" presented by Economic Digest and "Caring Company Award" presented by the Hong Kong Council of Social Services for the 15th consecutive year. The Group and Okashi Land have been awarded the "Hong Kong Top Brand Mark (Top Mark)" presented by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong.

CORPORATE SOCIAL RESPONSIBILITY (continued)

Besides, Calbee Four Seas Company Limited ("Calbee Four Seas") of the Group has received "Good MPF Employer Award 2016/17" presented by Mandatory Provident Fund Schemes Authority, the "Supreme Supermarket Brand" and "Star Supermarket Brand (Snack)" at the "PARKnSHOP Super Brands Award", and "Distinguished Family-Friendly Employer", "Family-Friendly Employers Award Scheme – Awards for Innovation" and "Family-Friendly Employer in Two Rounds" presented by the Home Affairs Bureau and the Family Council.

In addition, food supplied by the Group has been highly appreciated. "Kung Tak Lam Shanghai Vegetarian Cuisine" was honored with a "Bib Gourmand Award" by the Michelin Guide Hong Kong Macau 2017. Four Seas Seaweed has received the "Most Popular Snack Series" of Health Beauty Well-being Award presented by Mannings China. Calbee has also won the "7-Eleven Top Brands Campaign Award" by 7-Eleven Convenience Store and "Outstanding Category Performance Awards of Favorite Brands Awards" by Wellcome Supermarket. Haribo also received the "Kids Favorite Brands Award" of Favorite Brands Awards by Wellcome Supermarket. Oyatsu Snack Noodle has won the "Creative and Attractive TV Advertising Awards – Merit Award" by the Hong Kong Commercial Publicity Association.

PROSPECTS

Moving forward, the Group will focus on the strategy of "Based in Hong Kong, Yearning for Mainland". It will continue to strengthen its market share in the Hong Kong food industry as well as exploring the high potential food market in Mainland China.

Business in Hong Kong

Based in Hong Kong, the Group will continue to maintain and expand its leading position in the food market. Last year, the Group introduced "Foodfie" to Hong Kong and it has become a popular place for family gathering that both parents and children love. Earlier on, SOGO's new store "Qjiki" which is well-known for making Kagoshima fried fish cake has caught the attention of food lovers and the media with great comments.

With extensive experience, the Group will, as always, introduce different quality food products from around the world and become a trend-setter for snacks to satisfy the demand and appetite of food lovers.

PROSPECTS (continued)

Business in Hong Kong (continued)

In March this year, the Group entered into an agreement to dispose of a property that has been used as the Group's office and warehouse subject to a leaseback for one year commencing from 19 May 2017, the completion date for the disposal transaction. The Group has been actively finding and arranging other Hong Kong-based properties to serve as office and warehouse. It is hoped that the new office and warehouse will bring benefits by enhancing the Group's overall logistics as well as supply chain operation efficiency and convenience and facilitate the future development of the Group.

Business in Mainland

The Group's performance is adversely affected by the continuous weak consumer market in Mainland while the production and operating costs do not decrease. However, as the Group has numerous good products, it will tap Mainland's huge market potential and explore opportunities in Mainland market along the principle of "excellent quality, great variety and ample safety". Online shopping business is one of the future developments of the Group. Last year, the Group set up a wholly-owned company in the Nansha New District in Guangdong Free Trade Zone to engage in international trade in food imports and e-commerce business. At present, the Group's products are available on a number of e-commerce platforms in Mainland China, such as Taobao, Tmall, Tmall Global, Jingdong and Yihaodian, to provide delicate food for food lovers in the country anytime and anywhere.

Besides, in terms of food selection, the Group is committed to provide tailor-made experience for online customers. After considering many factors such as hot selling items in the retail market and cross-border e-commerce platforms and industry data etc., the Group selected medium and high-end products to satisfy the demand of Mainland China customers on the online shopping platforms. These quality products can also meet with the preference and needs of the consumers of Mainland China.

Looking ahead, the Group will continue to explore opportunities to develop Mainland China market and diversify its revenue streams.

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 2017, the Group held cash and cash equivalents of HK$839,440,000. As at 31 March 2017, the Group had banking facilities of HK$2,649,525,000 of which 38% had been utilised. The Group had a gearing ratio of 77% as at 31 March 2017. 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.

The proceeds from the Property Disposal will be utilised as to (i) approximately HK$115,277,000 for the distribution of the special interim dividend to the shareholders of the Company; (ii) approximately HK$2,500,000 for the associated direct costs for the Property Disposal; and (iii) approximately HK$250,223,000 for the general working capital of the Group.

STAFF EMPLOYMENT AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2017 was approximately 3,900. 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

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 2017.

CORPORATE GOVERNANCE

The Company and management are committed to maintaining 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.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's 2017 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 2017.

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 2017.

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 risk management and internal control systems, and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 31 March 2017.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

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 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, 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 2017 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 2017, 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, 30 June 2017