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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2017, as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 September 2017 Unaudited *HK$'000*	2016 Unaudited *HK$'000*
REVENUE	3	**1,436,297**	1,432,400
Cost of sales		**(962,160)**	(1,047,994)
Gross profit		**474,137**	384,406
Other income and gains	3	**326,035**	115,398
Selling and distribution expenses		**(292,547)**	(301,640)
Administrative expenses		**(145,789)**	(145,372)
Other operating expenses		**(4,464)**	(4,443)
Finance costs	4	**(7,717)**	(7,633)
Share of profits and losses of associates		**5,996**	4,901
PROFIT BEFORE TAX	2 & 5	**355,651**	45,617
Income tax expense	6	**(20,820)**	(11,259)
PROFIT FOR THE PERIOD		**334,831**	34,358
Attributable to:			
Equity holders of the Company		**329,099**	34,072
Non-controlling interests		**5,732**	286
		334,831	34,358
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	8	**HK85.6 cents**	HK8.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**334,831**	34,358
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**(14)**	37
Exchange differences on translation of foreign operations	**30,941**	(27,245)
Reclassification adjustments for foreign operations disposed of during the period	**-**	(6,067)
Share of other comprehensive income/(loss) of associates	**1,532**	(1,244)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**32,459**	(34,519)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**367,290**	(161)
Attributable to:		
Equity holders of the Company	**360,886**	490
Non-controlling interests	**6,404**	(651)
	367,290	(161)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2017 Unaudited** ***HK$'000***	31 March 2017 Audited *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**516,028**	502,319
Investment property		**19,371**	18,607
Prepaid land lease payments		**90,538**	88,277
Goodwill		**44,814**	43,680
Other intangible assets		**3,262**	4,172
Investments in associates		**166,484**	158,735
Available-for-sale investments		**1,174**	1,188
Deposits		**25,600**	30,721
Deferred tax assets		**8,730**	8,629
Total non-current assets		**876,001**	856,328
CURRENT ASSETS			
Inventories		**290,668**	273,836
Trade receivables	9	**597,293**	551,098
Prepayments, deposits and other receivables		**133,802**	142,098
Tax recoverable		**488**	8,211
Financial assets at fair value through profit or loss		**42,083**	47,444
Cash and cash equivalents		**815,285**	839,440
		1,879,619	1,862,127
Assets held for sale	11	**-**	45,307
Total current assets		**1,879,619**	1,907,434
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	**376,692**	365,034
Interest-bearing bank borrowings		**733,256**	930,120
Tax payable		**30,587**	20,363
Total current liabilities		**1,140,535**	1,315,517
NET CURRENT ASSETS		**739,084**	591,917
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,615,085**	1,448,245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 September 2017 Unaudited *HK$'000*	31 March 2017 Audited *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**23,741**	82,469
Deferred tax liabilities	**13,209**	18,043
Total non-current liabilities	**36,950**	100,512
Net assets	**1,578,135**	1,347,733
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**38,425**	38,425
Reserves	**1,503,808**	1,279,675
	1,542,233	1,318,100
Non-controlling interests	**35,902**	29,633
Total equity	**1,578,135**	1,347,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 March 2017.

In the current period, the Group has adopted, for the first time, a number of revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2017.

Amendments to HKAS 7	*Disclosure initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*

The adoption of the above revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements of the Group.

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

2. OPERATING SEGMENT INFORMATION

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

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

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

2. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong Six months ended 30 September		Mainland China Six months ended 30 September		Total Six months ended 30 September	
	2017	2016	**2017**	2016	**2017**	2016
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers*	**956,256**	986,163	**480,041**	446,237	**1,436,297**	1,432,400
Intersegment sales	**6,019**	5,156	**85,861**	89,851	**91,880**	95,007
	962,275	991,319	**565,902**	536,088	**1,528,177**	1,527,407
Reconciliation:						
Elimination of intersegment sales					**(91,880)**	(95,007)
Revenue					**1,436,297**	1,432,400
Segment results	**360,567**	1,688	**(6,295)**	48,035	**354,272**	49,723
Reconciliation:						
Interest income					**3,073**	1,123
Dividend income and unallocated gains					**11,033**	7,649
Finance costs					**(7,717)**	(7,633)
Share of profits and losses of associates					**5,996**	4,901
Corporate and other unallocated expenses					**(11,006)**	(10,146)
Profit before tax					**355,651**	45,617

	Hong Kong		Mainland China		Total	
	30 September 2017	31 March 2017	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,104,089**	1,139,995	**941,581**	882,392	**2,045,670**	2,022,387
Reconciliation:						
Elimination of intersegment receivables					**(324,294)**	(322,272)
Investments in associates					**166,484**	158,735
Corporate and other unallocated assets					**867,760**	904,912
Total assets					**2,755,620**	2,763,762
Segment liabilities	**352,305**	376,341	**348,681**	310,965	**700,986**	687,306
Reconciliation:						
Elimination of intersegment payables					**(324,294)**	(322,272)
Corporate and other unallocated liabilities					**800,793**	1,050,995
Total liabilities					**1,177,485**	1,416,029

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

3. 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:

		Six months ended 30 September	
		2017	2016
		Unaudited	Unaudited
	Note	***HK$'000***	*HK$'000*
Revenue		**1,436,297**	1,432,400
Other income			
Bank interest income		**3,073**	1,123
Commission income		**40**	-
Dividend income		**1,194**	204
Rental income		**626**	634
Others		**2,355**	3,827
		7,288	5,788
Gains			
Gain on disposal of assets held for sale	11	**302,300**	-
Gain on disposal of items of property, plant and equipment, net		**-**	2,119
Gain on disposal of subsidiaries		**-**	100,046
Amortisation of deferred gain	11	**6,608**	-
Net fair value gain on financial assets at fair value through profit or loss		**9,839**	7,445
		318,747	109,610
		326,035	115,398

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**7,717**	7,633

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**962,160**	1,047,994
Depreciation	**32,246**	33,141
Amortisation of prepaid land lease payments	**1,430**	1,550
Amortisation of other intangible assets	**910**	911

6. 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 period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**17,709**	4,362
Current – Elsewhere		
Charge for the period	**5,108**	6,791
Overprovision in prior years	**(21)**	(195)
Deferred	**(1,976)**	301
Total tax charge for the period	**20,820**	11,259

The share of tax attributable to associates amounting to HK$1,519,000 (2016: HK$1,591,000) is included in "Share of profits and losses of associates" in the unaudited condensed consolidated statement of profit or loss.

7. DIVIDEND

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interim – HK3.0 cents (2016: HK3.0 cents) per ordinary share	**11,528**	11,528

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

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**329,099**	34,072

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

9. TRADE RECEIVABLES

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

An aged analysis of trade receivables as at 30 September 2017 and 31 March 2017, based on the invoice date and net of provisions, is as follows:

	30 September 2017	31 March 2017
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**254,521**	224,648
1 to 2 months	**124,323**	94,584
2 to 3 months	**80,192**	89,117
Over 3 months	**138,257**	142,749
	597,293	551,098

Included in trade receivables is an amount due from a subsidiary of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK$266,000 (31 March 2017: HK$314,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$196,816,000 (31 March 2017: HK$164,943,000). An aged analysis of the trade payables as at 30 September 2017 and 31 March 2017 based on the invoice date, is as follows:

	30 September 2017	31 March 2017
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**137,939**	112,067
1 to 2 months	**36,323**	25,884
2 to 3 months	**9,912**	11,710
Over 3 months	**12,642**	15,282
	196,816	164,943

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

Included in the trade payables are amounts due to the Group's associates of HK$46,496,000 (31 March 2017: HK$40,687,000), 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.

11. ASSETS HELD FOR SALE, GAIN ON DISPOSAL OF ASSETS HELD FOR SALE AND AMORTISATION OF DEFERRED GAIN

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 (the "Property") for a cash consideration of HK$368,000,000 (the "Property Disposal"). The transaction was completed on 19 May 2017 (the "Completion Date"). 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.

Upon completion of the Property Disposal, the Group and the purchaser entered into a tenancy agreement, whereby the Group leased the Property from the purchaser for its own use for 1 year commencing on the Completion Date. The fair value of the Property near the Completion Date was determined by DTZ Cushman & Wakefield Limited, independent professionally qualified valuer. The excess of consideration over fair value of the Property has been deferred and amortised over the lease period, resulting in the recognition of a deferred gain amounting to HK$11,392,000 in the unaudited condensed consolidated statement of financial position as at 30 September 2017 and amortisation of the deferred gain amounting to HK$6,608,000 in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 September 2017.

During the period, a gain on disposal of assets held for sale before tax of HK$302,300,000 has been recognised in the unaudited condensed consolidated statement of profit or loss.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2016: HK3.0 cents) in cash per ordinary share for the six months ended 30 September 2017, payable to shareholders whose names appear in the register of members of the Company at the close of business on Tuesday, 19 December 2017. The said dividend will be paid on Thursday, 18 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 December 2017 to Tuesday, 19 December 2017, both dates inclusive, during such period no transfer of shares will be registered. In order to qualify for the interim dividend for the six months ended 30 September 2017, all share 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 Thursday, 14 December 2017.

BUSINESS REVIEW AND PROSPECTS

RESULTS

The Group's consolidated turnover remained stable at HK$1,436,297,000 (2016: HK$1,432,400,000) for the six months ended 30 September 2017. Profit attributable to equity holders of the Company was HK$329,099,000 (2016: HK$34,072,000). Such increase was primarily due to the completion of the disposal of a property located at Sai Kung, New Territories.

During the period under review, the sales derived from Hong Kong stood at HK$956,256,000 (2016: HK$986,163,000), accounting for approximately 67% of the Group's total sales. The sales of Mainland China amounted to HK$480,041,000 (2016: HK$446,237,000), representing approximately 33% of the total sales.

BUSINESS REVIEW

The Group continued its steady growth from the second half of last year during the review period. The Group maintained its competitiveness and market share under the situation of reviving consumer sentiment and lessening weak players. Owing to its strong brand equity, exquisite food quality and comprehensive sales network, the Group's results demonstrated a solid performance with its market leading position preserved. In the external environment, the steady economic growth and the rising number of middle-class families in Mainland China helped drive the Group's sales. Also, the stable Japanese yen during the period under review reduced the exchange rate risk that translated to a positive impact on the Group's operation.

Distribution Business

The Group has been focusing on developing its distribution business to bring all types of good quality food from the world to Hong Kong consumers. The Group is currently distributing food from various countries, including Japan, China, Korea, Singapore, Malaysia, Indonesia, Thailand, the Philippines, Australia, Ireland, France, Germany, the Netherlands, Belgium, South Africa and the USA, and collaborating with over a hundred internationally renowned brands that offer high-quality products, including snacks, milk powder, milk, biscuits, cakes, candies, chocolates, instant noodles, ice-cream, health food, beverages, sauce, seasonings, ham and sausages. Through its diversified sales channels, including department stores, supermarkets, convenient stores, fast food shops, wholesalers, retailers, restaurants, bars and airways, the Group is capable of meeting different customer segments' needs.

Manufacturing Business

The Group has always placed food safety first. With stringent production management and quality control, the Group not only pursues high-quality food, but also emphasises safety and hygiene in its food manufacturing business. The Group has 20 food manufacturing and processing plants in Hong Kong and Mainland to produce a variety of outstanding products that meet international standards under the most rigorous and modern monitoring system. The Group gained recognition by receiving "HACCP", "ISO 9001", "ISO 22000" and "Hong Kong Q-Mark Product Scheme Certification" accreditations, which shows that the Group is trusted by the market and has secured consumer confidence. During the review period, the Group's "Four Seas Milk Beverage" in beverage carton was well received by consumers as soon as it was launched in the Mainland market.

Retail and Catering Businesses

The Group strives to introduce innovative retail and catering businesses that surpass consumer expectation. On the retail front, "Okashi Land", Japanese cookie store "YOKU MOKU" and "Calbee PLUS" have remained popular among consumers. On the catering front, Shanghai vegetarian cuisine "Kung Tak Lam" in Hong Kong continued to receive the Bib Gourmand by the 2018 Michelin Guide Hong Kong Macau, the only vegetarian restaurant in Hong Kong that has ever received such recognition. Moreover, restaurants in Hong Kong and Guangdong Province, including "Blue Brick Bistro by YOKU MOKU", Japanese style restaurant "Shiki•Etsu", Japanese style dumpling fast food shop "Osaka Ohsho" and Kagoshima fried fish cake shop "Qjiki" in Hong Kong, "Panxi Restaurant" in Guangzhou, Japanese restaurant "Mori Café" and sushi restaurant chain "Sushi Oh" in Mainland China are widely acclaimed.

BRAND DEVELOPMENT

Founded in 1971, the Group stays true to its core values of placing customer recognition and food safety first. After 46 years of operation, the Group upholds the motto of "Eating Safely, Eating Happily" and becomes a well-established integrated food company in Hong Kong.

Rooted in Hong Kong, the Group is a typical Hong Kong legend that has a special place in the heart of Hong Kong consumers. Riding on this advantage, the Group is actively expanding into the Mainland market, serving as an intermediary between the Mainland and the world in the food market. On one hand, the Group introduces oversea delicacies to the Mainland, offering a vibrant selection of high-quality products for Mainland consumers. On the other hand, it penetrates into international markets with Mainland products, allowing overseas consumers to have a taste of refined Chinese cuisine.

CORPORATE SOCIAL RESPONSIBILITY

The Group strongly believes in "receiving from the society and giving back to the society". It has been actively promoting community services and building a harmonious society, including sponsoring different charitable groups such as Junior Police Call, schools, elderly and women's organisations, youth associations, Kaifong welfare organisations and other federations. Besides, the Group's effort in promoting the development of social services is highly recognised. It has been awarded the "Caring Company" by the Hong Kong Council of Social Service.

The Group has received numerous awards during the period, including "Asia Business Achiever Awards 2017" presented by Asia Business Consultancy Association, and also "Hong Kong Outstanding Enterprise 2017" and "Hong Kong Outstanding Enterprise – Excellence Award" presented by Economic Digest. In addition, the food products of the Group have been accredited with various awards. Four Seas Seaweed has received the "Most Popular Snack Series" of "Health Beauty Well-being Award" presented by Mannings China and Calbee has received "Outstanding Category Performance Awards of Favourite Brands Awards" by Wellcome Supermarket.

PROSPECTS AND GROWTH

In parallel with expanding its market share in the Hong Kong food market, the Group will continue to proactively explore opportunities in the Mainland market.

Hong Kong Business

Based in Hong Kong, the Group will continue to introduce new food distribution, manufacturing, retailing and catering businesses that widen the spectrum of choices for Hong Kong consumers and lead the future development of the market. With the unprecedented success of "Calbee PLUS" and "Qjiki," the Group will continue the momentum in the second half of the year by riding onto its unique network in the food industry and bringing various types of delicacies together in one place. The Group plans to launch a one-stop platform that consists of an ice cream house that sells ice creams from multiple imported brands, "Okashi Land" and "Qjiki" in Tsim Sha Tsui. This will create a new gourmet experience for consumers.

Mainland China Business

The Group plans to expand in Mainland China abiding by its principle of "excellent quality, great variety and sufficient safety" together with the traditional trading model and emerging cross-border e-commerce transaction arrangement. The China (Guangdong) Pilot Free Trade Zone and the Guangdong-Hong Kong-Macao Bay Area will bring new opportunities to the Group that will strengthen its future development. By introducing different sales channels and a wide variety of food choices, the Group will continue its effort to widen the income source from the Mainland market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2017, the Group held cash and cash equivalents of HK$815,285,000. As at 30 September 2017, the Group had banking facilities of HK$2,524,852,000 of which 30% had been utilised. The Group had a gearing ratio of 49% as at 30 September 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 year.

The proceeds from the Property Disposal have been 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 30 September 2017 was approximately 3,800. 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 six months ended 30 September 2017.

CORPORATE GOVERNANCE

The Group strives to maintain high standards of corporate governance to enhance shareholders' value and safeguard shareholders' interests. The Company's directors are of the view that the Company has met the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2017, 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.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The chairman of the board of the Company, Mr. TAI Tak Fung, Stephen, was unable to attend the annual general meeting of the Company held on 30 August 2017 ("2017 AGM") as he had another important engagement on the same day. Ms. WU Mei Yung, Quinly, the managing director of the Company, attended and took the chair of the 2017 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the six months ended 30 September 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 six months ended 30 September 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 reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 interim report of the Company for the six months ended 30 September 2017, containing information required by the Listing Rules, will be despatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

THE BOARD

As at the date of this announcement, the directors of the Company are Mr. TAI Tak Fung, Stephen, Ms. WU Mei Yung, Quinly, Mr. MAN Wing Cheung, Ellis, Mr. 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, *GBM, GBS, SBS, JP*
Chairman

Hong Kong, 29 November 2017