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 2020

RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") announce the preliminary consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020, 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 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
REVENUE	4	**2,928,037**	3,028,987
Cost of sales		**(2,075,446)**	(2,056,203)
Gross profit		**852,591**	972,784
Other income and gains/(losses), net	4	**22,601**	11,903
Selling and distribution expenses		**(539,632)**	(587,512)
Administrative expenses		**(284,693)**	(297,298)
Other operating expenses		**(27,501)**	(17,327)
Finance costs	5	**(31,790)**	(16,795)
Share of profits and losses of associates		**8,748**	2,541
PROFIT BEFORE TAX	3 & 6	**324**	68,296
Income tax expense	7	**(14,603)**	(30,352)
PROFIT/(LOSS) FOR THE YEAR		**(14,279)**	37,944
Attributable to:			
Equity holders of the Company		**(19,808)**	30,161
Non-controlling interests		**5,529**	7,783
		(14,279)	37,944
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	9	**(HK5.2 cents)**	HK7.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(14,279)**	37,944
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(57,164)**	(61,010)
Reclassification adjustments for voluntary liquidation of foreign operations	**-**	(3,195)
Share of other comprehensive loss of associates	**(2,476)**	(2,753)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(59,640)**	(66,958)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(73,919)**	(29,014)
Attributable to:		
Equity holders of the Company	**(78,192)**	(34,928)
Non-controlling interests	**4,273**	5,914
	(73,919)	(29,014)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**937,966**	494,692
Investment property		**19,037**	20,346
Prepaid land lease payments		**-**	85,825
Goodwill		**42,858**	44,699
Other intangible assets		**321**	540
Investments in associates		**155,107**	149,186
Equity investment designated at fair value through other comprehensive income		**1**	-
Financial assets at fair value through profit or loss		**33,340**	30,780
Deposits		**28,426**	33,396
Deferred tax assets		**7,996**	8,691
Total non-current assets		**1,225,052**	868,155
CURRENT ASSETS			
Inventories		**345,511**	356,608
Trade receivables	10	**528,382**	571,975
Prepayments, deposits and other receivables		**244,495**	123,666
Tax recoverable		**2,001**	666
Financial assets at fair value through profit or loss		**41,354**	41,762
Cash and cash equivalents		**506,981**	590,979
Total current assets		**1,668,724**	1,685,656
CURRENT LIABILITIES			
Trade payables, other payables and accruals	11	**330,391**	345,754
Interest-bearing bank borrowings		**699,424**	705,883
Lease liabilities		**133,074**	-
Tax payable		**7,543**	10,148
Total current liabilities		**1,170,432**	1,061,785
NET CURRENT ASSETS		**498,292**	623,871
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,723,344**	1,492,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2020

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**60,000**	-
Lease liabilities	**302,063**	-
Deferred tax liabilities	**16,083**	17,466
Total non-current liabilities	**378,146**	17,466
Net assets	**1,345,198**	1,474,560
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**38,425**	38,425
Reserves	**1,268,904**	1,398,753
	1,307,329	1,437,178
Non-controlling interests	**37,869**	37,382
Total equity	**1,345,198**	1,474,560

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, financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income which have been measured at 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.

<u>Basis of consolidation</u>

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 2020. 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

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, HK(IFRIC)-Int 23 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(i)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information as at 31 March 2019 and for the year ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

(i) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

(i) (continued)

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and presented separately in the consolidated statement of financial position as lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as a component of property, plant and equipment in the consolidated statement of financial position. This includes the leased assets recognised previously under prepaid land lease payments and leasehold land.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment property and measured at fair value, the Group has continued to include it as investment property at 1 April 2019. It continues to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

-Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

-Applying a single discount rate to a portfolio of leases with reasonable similar characteristics

-Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

(i) (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/(decrease) *HK$'000*
Assets	
Property, plant and equipment	532,465
Prepaid land lease payments	(85,825)
Deferred tax assets	(580)
Prepayments, deposits and other receivables	(4,419)
Total assets	441,641
Liabilities	
Lease liabilities	463,762
Other payables and accruals	(4,592)
Total liabilities	459,170
Equity	
Retained profits	(14,783)
Non-controlling interests	(2,746)
Total equity	(17,529)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

		HK$'000
Operating lease commitments as at 31 March 2019		434,116
Add:	Payments for optional extension periods not recognised as at 31 March 2019	91,039
Less:	Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(38,734)
		486,421
Effect of discounting at incremental borrowing rate as at 1 April 2019		(22,659)
Lease liabilities as at 1 April 2019		463,762
Weighted average incremental borrowing rate as at 1 April 2019		2.42%

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

(ii)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(b)

Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted:

Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*, effective for annual periods beginning on or after 1 April 2021, provides lessees with exemption from assessing whether COVID-19-related rent concessions is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concessions is a lease modification.

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, provision of catering services, 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, ham and ham-related products, noodles, 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/(losses), net, finance costs (other than interest on lease liabilities), share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, investments in associates, financial assets at fair value through profit or loss, equity investment designated at fair value through other comprehensive income 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	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers*	**1,993,865**	2,045,230	**934,172**	983,757	**2,928,037**	3,028,987
Intersegment sales	**24,361**	16,285	**170,821**	177,362	**195,182**	193,647
	2,018,226	2,061,515	**1,104,993**	1,161,119	**3,123,219**	3,222,634
Reconciliation:						
Elimination of intersegment sales					**(195,182)**	(193,647)
Revenue					**2,928,037**	3,028,987
Segment results	**25,444**	95,881	**1,315**	11,500	**26,759**	107,381
Reconciliation:						
Interest income					**6,813**	7,128
Dividend income and unallocated gains/(losses), net					**2,832**	(8,370)
Finance costs (other than interest on lease liabilities)					**(20,617)**	(16,795)
Share of profits and losses of associates					**8,748**	2,541
Corporate and other unallocated expenses					**(24,211)**	(23,589)
Profit before tax					**324**	68,296

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

3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong		Mainland China		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,674,757**	1,185,423	**880,860**	913,799	**2,555,617**	2,099,222
Reconciliation:						
Elimination of intersegment receivables					**(408,621)**	(367,475)
Investments in associates					**155,107**	149,186
Corporate and other unallocated assets					**591,673**	672,878
Total assets					**2,893,776**	2,553,811
Segment liabilities	**661,387**	357,870	**512,762**	355,359	**1,174,149**	713,229
Reconciliation:						
Elimination of intersegment payables					**(408,621)**	(367,475)
Corporate and other unallocated liabilities					**783,050**	733,497
Total liabilities					**1,548,578**	1,079,251
Other segment information:						
Impairment of trade receivables	**10,649**	2,834	**5**	455	**10,654**	3,289
Write-down of slow-moving inventories	**393**	19	**3,144**	412	**3,537**	431
Depreciation and amortisation, except right-of-use assets	**25,427**	27,168	**36,239**	41,608	**61,666**	68,776
Depreciation of right-of-use assets	**116,182**	-	**24,053**	-	**140,235**	-
Impairment of items of property, plant and equipment, except right-of-use assets	**2,768**	-	**691**	-	**3,459**	-
Impairment of right-of-use assets	**2,322**	-	**1,071**	-	**3,393**	-
Capital expenditure**	**22,499**	39,579	**21,220**	21,852	**43,719**	61,431
Non-current assets***	**456,204**	197,373	**543,978**	448,729	**1,000,182**	646,102

** Capital expenditure consists of additions to property, plant and equipment, excluding right-of-use assets arising from leased buildings.

*** 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/(LOSSES), NET

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**2,928,037**	3,028,987

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	HK$'000	*HK$'000*
Primary geographical markets:		
Hong Kong	**1,993,865**	2,045,230
Mainland China	**934,172**	983,757
	2,928,037	3,028,987
Timing of revenue recognition:		
At a point in time	**2,928,037**	3,028,987

The amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period are as follows:

	2020	2019
	HK$'000	*HK$'000*
Sale of goods	**4,254**	5,134

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods
The performance obligation is satisfied upon delivery of the goods and payment is generally due within one to three months, extending up to four to five months for major customers, from delivery, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**4,127**	4,254

All remaining performance obligations are expected to be recognised within one year.

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET (continued)

An analysis of other income and gains/(losses), net is as follows:

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**6,813**	7,128
Dividend income	**5,040**	1,352
Government grants	**5,760**	-
Rental income	**1,212**	1,263
Others	**5,984**	8,998
	24,809	18,741
Gains/(losses), net		
Amortisation of deferred gain	**-**	2,416
Fair value gain on an investment property	**-**	468
Fair value losses on financial assets at fair value through profit or loss	**(2,208)**	(9,722)
	(2,208)	(6,838)
	22,601	11,903

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**20,617**	16,795
Interest on lease liabilities	**11,173**	-
	31,790	16,795

6. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**2,071,909**	2,055,772
Depreciation of items of property, plant and equipment	**61,447**	64,065
Depreciation of right-of-use assets	**140,235**	-
Amortisation of prepaid land lease payments	**-**	2,900
Amortisation of other intangible assets	**219**	1,811
Minimum lease payments under operating leases	**-**	182,470
Lease rental for short term leases	**57,562**	-
Contingent rent	**2,649**	-
Rent concession related to COVID-19	**(7,748)**	-
Auditors' remuneration	**4,589**	4,546
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**344,687**	368,982
Pension scheme contributions*	**17,029**	15,515
	361,716	384,497
Loss on disposal/write-off of items of property, plant and equipment, net	**483**	4,181
Gain on derecognition of right-of-use assets, net	**(1,831)**	-
Gain on remeasurement of lease liabilities, net	**(53)**	-
Impairment of items of property, plant and equipment, except right-of-use assets	**3,459**	-
Impairment of right-of-use assets	**3,393**	-
Foreign exchange differences, net	**(5,944)**	(2,892)
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property	**789**	863
Impairment of trade receivables**	**10,654**	3,289
Write-down of slow-moving inventories***	**3,537**	431

* At 31 March 2020, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2019: 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% (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**11,741**	19,602
Current – Elsewhere		
Charge for the year	**3,449**	10,518
(Over)/underprovision in prior years	**(333)**	718
Deferred	**(254)**	(486)
Total tax charge for the year	**14,603**	30,352

The share of tax attributable to associates amounting to HK$2,309,000 (2019: HK$1,075,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim – HK3.0 cents (2019: HK3.0 cents) per ordinary share	**11,528**	11,528
Proposed final dividend – HK6.5 cents (2019: HK6.5 cents) per ordinary share	**24,977**	24,977
	36,505	36,505

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

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The calculations of basic earnings/(loss) per share are based on:

	2020	2019
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(19,808)**	30,161

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**384,257,640**	384,257,640

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

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 ageing 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**180,692**	213,610
1 to 2 months	**98,978**	99,408
2 to 3 months	**84,474**	101,937
Over 3 months	**164,238**	157,020
	528,382	571,975

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$178,219,000 (2019: HK$183,102,000). An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**146,416**	151,062
1 to 2 months	**16,873**	21,900
2 to 3 months	**7,919**	4,590
Over 3 months	**7,011**	5,550
	178,219	183,102

Included in the trade payables are amounts due to the Group's associates of HK$45,616,000 (2019: HK$38,128,000) and subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK$91,000 (2019: HK$55,000), 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.

12. EVENTS AFTER REPORTING PERIOD

On 16 April 2020, Four Seas (Japan) Holdings Company Limited, an indirect wholly-owned subsidiary of Company, completed the transaction of acquiring an additional 55% equity interest of Miyata Holding Co., Ltd. ("Miyata Holding") with a total cash consideration of JPY1,000 after exercising an option, details was set out in the Company's announcement on 31 March 2020. Miyata Holding holds all the interest of a renowned snack food and confectionery distributor in Japan, Miyata Co., Ltd. It is envisaged that the Group will benefit from the synergetic effects between Miyata Holding and other businesses of the Group. Upon completion of this acquisition, the Group held 70% equity interest in Miyata Holding.

Because the acquisition of Miyata Holding was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

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 2020. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Monday, 31 August 2020 (the "AGM"), the said final dividend will be paid in cash on Friday, 25 September 2020 to shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Wednesday, 9 September 2020. 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 2020 are HK9.5 cents (2019: HK9.5 cents).

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Tuesday, 25 August 2020 to Monday, 31 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020; and

(ii) from Monday, 7 September 2020 to Wednesday, 9 September 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 September 2020. The proposed final dividend is subject to the shareholders' approval at the AGM. The record date for entitlement to the proposed final dividend is Wednesday, 9 September 2020 and the payment of final dividend will be made on Friday, 25 September 2020.

BUSINESS REVIEW AND PROSPECTS

The Group strived to move forward with determination will against all odds during the year under review. Despite the tremendous market difficulties posed by the social movement and the outbreak of COVID-19, the Group's multifaceted network and success of its production and distribution businesses in Hong Kong and the Mainland China helped to partly offset headwinds.

The Group continued to find new areas of breakthrough in the period and fostered the development of its Japanese ice-cream business. It introduced products of famous Japanese brands and acquired 15% equity shares of a renowned Japanese confectionery distributor that helped to maintain its leading status in the food market.

RESULTS

In the annual results for the year ended 31 March 2020, the Group's consolidated revenue was HK$2,928,037,000 (2019: HK$3,028,987,000). The loss for the year attributable to equity holders of the Company stood at HK$19,808,000 (2019: profit HK$30,161,000). Sales derived from the Hong Kong segment amounted to HK$1,993,865,000 (2019: HK$2,045,230,000), accounting for 68% of the Group's total sales. Sales in Mainland China amounted to HK$934,172,000 (2019: HK$983,757,000), 32% of the Group's total sales.

The results of the Group for the year under review was affected by the impacts of the outbreak of COVID-19 in the last quarter of the financial year and the social movement in Hong Kong in the second half of 2019 on the businesses of the restaurants and retail shops of the Group.

BUSINESS REVIEW

Founded in 1971, the Group will be celebrating its 50th anniversary next year. In nearly half a century, the Group has become a household name in Hong Kong and is actively expanding its presence in the Mainland China market, receiving increasing support from the consumers. The Group owns a diversified food business covering distribution, production and retailing, operates restaurants, and is building its own brand. It strategically maintains a wide array of businesses to cater for customers of different age groups to maintain its overall market dominance.

BUSINESS REVIEW (continued)

The Group has an extensive distribution network and its clients include department stores, supermarkets, convenience stores, fast-food restaurants, wholesalers, retailers, restaurants, bars, hotels and airlines. Apart from distributing diversified food products from more than 10 countries and regions, the Group also operates food specialty stores in Hong Kong that include "Okashi Land" Japanese snack stores and "YOKU MOKU" cookie stores. The Group is always on the lookout for emerging products to provide Hong Kong consumers with novel experience.

Distribution Business

In the year under review, the Group successfully acquired 15% of the equity shares of Miyata Holding Co., Ltd. and its subsidiaries ("Miyata"), a renowned Japanese confectionery distributor. As people were forced to stay indoors following the outbreak of COVID-19, it led to a higher demand for some products of the Group's food distribution business. This partly offset part of the negative impact on the business during the period.

Based on a solid brand presence, the Group's food distribution business has been steadily developing. The Group has been cooperating with famous food manufacturers worldwide and distributes quality food products from many international brands. Through a comprehensive distribution network and precise sales strategies, the sales team constantly sources unique and high-quality food products such as ice-cream, snacks, milk powder, health food, sauce, ham and sausage from Japan, Korea, Thailand, Indonesia, Malaysia, Singapore, the United Kingdom, France, Germany, the Netherlands, the United States and Mainland China, providing consumers with diverse delicacies from around the world. In recent years, the Group has been expanding the market for extremely popular Japanese ice-cream in Hong Kong. The Group will continue to identify more famous brands and bring them to the consumers.

Manufacturing Business

With stringent quality monitoring and precise scientific control, the Group ensures that the quality of its products matches international standards. It has received numerous accreditations such as the HACCP, ISO 9001, ISO 22000 and GMP certifications, the Hong Kong Q-Mark License given to participants of the "Hong Kong Q-Mark Scheme for over 30 years", and the Hong Kong Cooking Oil Registration Scheme Companion Certification, awarded by the HKQAA. The certifications prove the quality of the Group's food products and the standards it demands of itself.

BUSINESS REVIEW AND PROSPECTS (continued)

BUSINESS REVIEW (continued)

Manufacturing Business (continued)

The Group has 18 plants in Hong Kong and the Mainland China to manufacture a wide range of unique food products. With its one-stop production and sales strategies, the Group offers products that meet diverse market needs, upholding its leading status in the food industry. After the expansion of the Calbee Four Seas factory located in Tseung Kwan O Industrial Estate, the production efficiency and volume increased substantially, helping the Group to satisfy the growing demands of the food market.

Retailing and Catering Business

The Group's retailing and catering businesses were adversely impacted by the social movement and COVID-19, but they continued to maintain their high standards and innovative offerings. The Chinese and Japanese restaurants of the Group are popular and highly regarded in both Guangdong and Hong Kong. Both the Shanghai vegetarian restaurant "Kung Tak Lam" (Causeway Bay Branch), which has received the Michelin Plate in the Michelin Guide 2020, and the Hong Kong branch of "Sushiyoshi", with a Two-Star rating in the Osaka Michelin, are diners' favourites. Besides the existing Admiralty Branch, a new branch of the Japanese-style restaurant "Shiki • Etsu" was opened in Kowloon Bay. In Guangzhou, "Panxi Restaurant" and the Japanese sushi restaurant chain stores "Sushi Oh" are popular among food lovers.

"Okashi Land" Japanese snack stores have been providing consumers with delicious and trendy Japanese snacks. The Group has added Japanese ice-cream counters in many of the "Okashi Land" stores, which allows consumers to enjoy Japanese ice-cream anytime, anywhere. "YOKU MOKU" cookie stores continue to be popular among consumers.

Murray Catering Co Ltd, a supplier of lunch boxes and tuck shop services under the Group, is now providing students of more than 90 secondary and primary schools delicious, healthy and nutritious lunch boxes.

BUSINESS REVIEW AND PROSPECTS (continued)

BRAND DEVELOPMENT

The Group has been growing along with Hong Kong itself. After years of hard work, its scale is expanding rapidly and its brand is firmly established. The Group has kept pace with the changing market and has utilised every opportunity to grow. The Group focused on the distribution of Japanese snacks when it was first founded and then expanded to include food manufacturing, retailing and catering. Apart from pursuing growth in local businesses, the Group is also active in the Mainland China market. This reflects the Group's long-term vision and its ambition for the Four Seas brand.

The Group understands the importance of maintaining consumer confidence, reflected in its motto of "Eating Safely, Eating Happily". The Group has always been mindful of its obligation to maintain hygiene, safety and quality of food products, and set up a sound monitoring system to ensure the products are safe, high-quality and delicious. At the same time, the Group plays the role of a 'snack diplomat', introducing overseas delicacies to the Mainland China and taking unique Chinese food products to foreign markets.

CORPORATE SOCIAL RESPONSIBILITY

The Group is rooted in Hong Kong and upholds the spirit of "receiving from society and giving back to society" by actively promoting and participating in social and community services in the city. Its emphasis on community building and youth development has been hailed by different segments of society and brought it numerous awards. The Group has been recognised as "Hong Kong Outstanding Enterprise" and received the "Hong Kong Excellent Enterprise Award" presented by the Economic Digest. The Group and "Okashi Land" have received the "Caring Company Award" for 18 and 12 consecutive years respectively by the Hong Kong Council of Social Services. The Group and Calbee Four Seas Co., Ltd. have received the honours of "Manpower Developer 2013-2021" and "Manpower Developer 2011-2021" awards respectively. Calbee Four Seas Co., Ltd. has also received the recognition of "Good MPF Employer 5 Years" award from the Mandatory Provident Fund Schemes Authority.

CORPORATE SOCIAL RESPONSIBILITY (continued)

The Group's brands and restaurants are immensely popular. "Okashi Land", "YOKU MOKU" and Shanghai vegetarian chain "Kung Tak Lam" have been accredited "QTS Merchant" by the Quality Tourism Services Scheme of the Hong Kong Tourism Board. The Group and "Okashi Land" have been awarded the "Hong Kong Top Brand Mark (Top Mark)" by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong. "Calbee" has received the "Most Favourite Brand of Convenience Stores Award 2018" from 7-Eleven Convenience Store and "Top Ten Favourite Brands" of "Favourite Brands Awards 2019" by Wellcome Supermarket. Hong Kong Ham Holdings Ltd has been awarded the "Q-Mark Elite Brand Awards" and the Group's Japanese restaurant "Sushiyoshi" has been listed as one of the South China Morning Post's "100 Top Tables 2020".

Furthermore, the Group has received the "Most Valuable Service Award in Hong Kong 2019" from Mediazone Publishing, and the Chairman, Dr. Tai Tak Fung, Stephen, has been recognised as the "Innovator of the Year for Food Excellence" and the "Most Influential Chinese Leader of the Year".

PROSPECTS

Despite global economic uncertainties, the Group maintains great market confidence and will establish a platform for food products across the Mainland China, Hong Kong and Japan, pursuing its business development strategy of "Based in Hong Kong, Yearning for Mainland, Reaching Out to the World".

Business in Hong Kong

The acquisition of equity shares of Miyata has marked a new chapter for the company's future development. The Group will leverage its capital and resource management as well as its leading market status in the retailing and distribution industry in Hong Kong and Mainland China, together with the strength in the Japanese confectionery distribution and product development business of Miyata, to create cross- branding and sales synergy. The Group's sales capacities will also be strengthened and the customer base broadened. As a result, through the Group, top-notch Japanese confectionery products can be introduced to the markets of Hong Kong and the Mainland China. In parallel, through Miyata's current customer base, the Group will be able to enter the Japanese consumer market and increase its presence in the food distribution industry there, creating a unique platform which covering Mainland China, Hong Kong and Japan.

PROSPECTS (continued)

Business in Hong Kong (continued)

The Group is actively expanding its food distribution business, and offers numerous products in big chain stores such as Don Don Donki, Aeon and OK Convenience Store, consolidating its leading status in the Hong Kong market. The Group will continue to look for opportunities to add new snacks from around the world to its portfolio that will satisfy the market's appetite for overseas delicacies. At the same time, it will expand the sales network to strengthen its leadership in the market.

Business in Mainland China

The Group has been striving to develop and establish the hugely promising Mainland China market. Its products are well known and popular, and are currently available on a number of e-commerce platforms in Mainland China, such as Taobao, Tmall, Tmall Global and Jingdong. In the past few months, the Group has opened up new channels to promote its products, receiving positive market response and successfully increasing sales and expanding the Group's market share in the Mainland China.

There are no national boundaries for food and the Group aims to introduce Chinese food products to overseas consumers through proactive marketing strategies. The Group believes that the Mainland China market will bring more benefits to its business and hence will continue to be a development focus for the Group in the future.

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 2020, the Group held cash and cash equivalents of HK$506,981,000. As at 31 March 2020, the Group had banking facilities of HK$2,326,719,000 of which 33% had been utilized. The Group had a gearing ratio of 58% as at 31 March 2020. 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 and Renminbi, 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 which are classified as non-current liabilities are repayable in the second to third year.

STAFF EMPLOYMENT AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2020 was approximately 3,000. 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 2020.

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 of Hong Kong Limited (the "Listing Rules") except for the following deviations:

Code Provision A.4.1

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

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

Code Provision A.4.2

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

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 2020 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 of 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 2020.

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 2020.

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 2020.

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 2020 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 2020 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 2020, 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. TAI Chun Kit, 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 June 2020