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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 2021

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 2021, as follows:

** For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
		2021	2020
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	3	2,353,839	2,185,079
Cost of sales		(1,866,674)	(1,695,351)
Gross profit		487,165	489,728
Other income and gains/(losses), net	3	17,783	9,869
Selling and distribution expenses		(254,655)	(262,255)
Administrative expenses		(193,478)	(181,788)
Other operating expenses		(7,824)	(4,720)
Finance costs	4	(12,426)	(14,519)
Share of profits and losses of associates		(547)	6,568
PROFIT BEFORE TAX	2 & 5	36,018	42,883
Income tax expense	6	(12,583)	(11,703)
PROFIT FOR THE PERIOD		23,435	31,180
Attributable to:			
Equity holders of the Company		15,376	30,016
Non-controlling interests		8,059	1,164
		23,435	31,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	8	HK4.0 cents	HK7.8 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	23,435	31,180
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	14,244	31,422
Share of other comprehensive income of associates	553	1,728
<i>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>	14,797	33,150
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Financial assets at fair value through other comprehensive income:		
- Changes in fair value	(796)	3,166
- Income tax effect	273	(950)
Defined benefit obligations:		
- Gains on remeasurement	381	1,240
- Income tax effect	(129)	(372)
<i>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</i>	(271)	3,084
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	14,526	36,234
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	37,961	67,414
Attributable to:		
Equity holders of the Company	29,362	64,705
Non-controlling interests	8,599	2,709
	37,961	67,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2021 Unaudited <i>HK\$'000</i>	31 March 2021 Audited <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		972,228	1,026,594
Investment properties		42,789	42,469
Goodwill		125,706	125,396
Other intangible assets		71,380	74,285
Investments in associates		171,878	172,463
Financial assets at fair value through profit or loss		31,621	31,635
Financial assets at fair value through other comprehensive income		19,534	20,009
Prepayments, deposits and other receivables		27,524	31,111
Deferred tax assets		19,534	20,841
		<hr/>	<hr/>
Total non-current assets		1,482,194	1,544,803
CURRENT ASSETS			
Inventories		436,853	417,842
Trade receivables	9	781,435	781,444
Prepayments, deposits and other receivables		166,725	199,138
Tax recoverable		301	371
Financial assets at fair value through profit or loss		43,188	39,186
Derivative financial assets		413	828
Cash and cash equivalents		638,708	577,227
		<hr/>	<hr/>
		2,067,623	2,016,036
Assets held for sale	11	41,590	–
		<hr/>	<hr/>
Total current assets		2,109,213	2,016,036
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 September 2021 Unaudited <i>HK\$'000</i>	31 March 2021 Audited <i>HK\$'000</i>
	<i>Note</i>		
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	575,273	599,803
Interest-bearing bank borrowings		1,069,917	963,052
Lease liabilities		121,618	123,651
Tax payable		28,474	21,907
		1,795,282	1,708,413
Total current liabilities		1,795,282	1,708,413
NET CURRENT ASSETS		313,931	307,623
TOTAL ASSETS LESS CURRENT LIABILITIES		1,796,125	1,852,426
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		155,824	194,384
Lease liabilities		188,536	217,960
Other payables and accruals		4,135	4,524
Defined benefit obligations		6,926	7,284
Deferred tax liabilities		50,537	50,491
		405,958	474,643
Total non-current liabilities		405,958	474,643
Net assets		1,390,167	1,377,783
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		38,425	38,425
Reserves		1,343,283	1,338,898
		1,381,708	1,377,323
Non-controlling interests		8,459	460
Total equity		1,390,167	1,377,783

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 2021.

In the current interim period, the Group has applied, for the first time, certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the Group’s financial years beginning on or after 1 April 2021.

Amendments to HKFRS 9, HKAS 39
and HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30
June 2021*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(a) (continued)

relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

The Group has adopted the amendment on 1 April 2021 and applied the practical expedient during the period ended 30 September 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$12,444,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 September 2021. There is no impact on the opening balance of equity at 1 April 2021.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has three 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;
- (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; and
- (iii) the Japan segment is engaged in the wholesaling and distribution of snack foods and confectionery.

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), non-lease-related finance costs, 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, financial assets at fair value through other comprehensive income, derivative financial assets 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)

Six months ended 30 September 2021

	Hong Kong	Mainland		
	Unaudited	China	Japan	Total
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers*	921,312	474,068	958,459	2,353,839
Intersegment sales	19,117	106,086	25,605	150,808
	<u>940,429</u>	<u>580,154</u>	<u>984,064</u>	<u>2,504,647</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(150,808)
Revenue				<u>2,353,839</u>
Segment results	31,112	16,221	12,419	59,752
<i>Reconciliation:</i>				
Interest income				1,807
Dividend income and unallocated gains/(losses), net				(163)
Finance costs (other than interest on lease liabilities)				(8,685)
Share of profits and losses of associates				(547)
Corporate and other unallocated expenses				(16,146)
Profit before tax				<u>36,018</u>
Other segment information:				
Write-down of slow-moving inventories	5	378	-	383
Impairment of trade receivables	527	-	-	527
Impairment of assets held for sale	1,504	-	-	1,504
Loss on disposal/write-off of items of property, plant and equipment, net	891	10	-	901
Depreciation and amortisation, except right-of-use assets	12,435	20,655	8,572	41,662
Depreciation of right-of-use assets	53,632	12,943	5,346	71,921
	<u>53,632</u>	<u>12,943</u>	<u>5,346</u>	<u>71,921</u>

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 September 2020

	Hong Kong	Mainland	Japan	Total
	Unaudited	China	Unaudited	Unaudited
	HK\$'000	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers*	919,113	436,184	829,782	2,185,079
Intersegment sales	14,528	103,662	1,696	119,886
	<u>933,641</u>	<u>539,846</u>	<u>831,478</u>	<u>2,304,965</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(119,886)
Revenue				<u>2,185,079</u>
Segment results	59,239	23,041	(10,600)	71,680
<i>Reconciliation:</i>				
Interest income				1,347
Dividend income and unallocated gains/(losses), net				(3,955)
Finance costs (other than interest on lease liabilities)				(9,141)
Share of profits and losses of associates				6,568
Corporate and other unallocated expenses				(23,616)
Profit before tax				<u>42,883</u>
Other segment information:				
Write-down of slow-moving inventories	2	1,494	-	1,496
Impairment of trade receivables	20	-	-	20
Loss on disposal/write-off of items of property, plant and equipment, net	180	15	100	295
Depreciation and amortisation, except right-of-use assets	13,104	17,545	6,048	36,697
Depreciation of right-of-use assets	<u>60,239</u>	<u>12,438</u>	<u>3,763</u>	<u>76,440</u>

* The revenue information above is based on the locations of the customers, except for a subsidiary within the Japan segment whose sales to external customers of HK\$43,733,000 (2020: HK\$27,621,000) arising from Mainland China.

2. OPERATING SEGMENT INFORMATION (continued)

As at 30 September 2021

	Hong Kong Unaudited HK\$'000	Mainland China Unaudited HK\$'000	Japan Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	1,358,718	1,035,781	676,611	3,071,110
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(404,880)
Investments in associates				171,878
Corporate and other unallocated assets				753,299
				<hr/>
Total assets				<u>3,591,407</u>
Segment liabilities	553,004	355,559	392,805	1,301,368
<i>Reconciliation:</i>				
Elimination of intersegment payables				(404,880)
Corporate and other unallocated liabilities				1,304,752
				<hr/>
Total liabilities				<u>2,201,240</u>

As at 31 March 2021

	Hong Kong Audited HK\$'000	Mainland China Audited HK\$'000	Japan Audited HK\$'000	Total Audited HK\$'000
Segment assets	1,479,228	913,795	724,877	3,117,900
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(419,621)
Investments in associates				172,463
Corporate and other unallocated assets				690,097
				<hr/>
Total assets				<u>3,560,839</u>
Segment liabilities	590,939	336,374	445,530	1,372,843
<i>Reconciliation:</i>				
Elimination of intersegment payables				(419,621)
Corporate and other unallocated liabilities				1,229,834
				<hr/>
Total liabilities				<u>2,183,056</u>

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

An analysis of revenue is as follows:

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Revenue from contracts with customers		
(i) Disaggregated revenue information		
<i>Primary geographical markets:</i>		
Hong Kong	921,312	919,113
Mainland China	474,068	436,184
Japan*	958,459	829,782
	<u>2,353,839</u>	<u>2,185,079</u>
<i>Timing of revenue recognition:</i>		
At a point in time	<u>2,353,839</u>	<u>2,185,079</u>

* Including revenue from contracts with customers of HK\$43,733,000 (2020: HK\$27,621,000) arising from Mainland China.

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:

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Sale of goods	<u>3,160</u>	<u>4,127</u>

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

An analysis of revenue is as follows: (continued)

(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) as at 30 September 2021 and 31 March 2021 are as follows:

	As at 30 September 2021 Unaudited HK\$'000	As at 31 March 2021 Audited HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	<u>4,958</u>	<u>3,160</u>

The amounts of transaction prices allocated to remaining performance obligations are expected to be recognised as revenue within one year.

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

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

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other income		
Bank interest income	387	1,347
Government subsidies*	5,450	6,469
Dividend income	1,220	2,001
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	1,505	1,351
Interest income	1,420	-
Provisional gain on bargain purchase	4,985	-
Others	4,199	4,639
	<u>19,166</u>	<u>15,807</u>
Gains/(losses), net		
Net fair value loss on an investment property	-	(145)
Net fair value loss on financial assets at fair value through profit or loss	(1,430)	(5,793)
Net fair value changes of derivative financial instruments	47	-
	<u>(1,383)</u>	<u>(5,938)</u>
	<u>17,783</u>	<u>9,869</u>

* As at the end of the reporting period, there were no unfulfilled conditions relating to these subsidies.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans	8,685	9,141
Interest on lease liabilities	3,741	5,378
	<u>12,426</u>	<u>14,519</u>

5. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	1,866,291	1,693,854
Government subsidies #	-	(32,398)
Depreciation of items of property, plant and equipment (excluding right-of-use assets)	38,938	34,668
Depreciation of right-of-use assets	71,921	76,440
Amortisation of other intangible assets	2,724	2,029
Loss on disposal/write-off of items of property, plant and equipment, net *	901	295
Impairment of trade receivables*	527	20
Impairment of assets held for sale*	1,504	-
	1,982,876	1,874,906

The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government, which aims to retain employment and combat COVID-19. There are no unfulfilled conditions or contingencies relating to these subsidies. For the six months ended 30 September 2020, government subsidies of HK\$20,468,000, HK\$5,148,000 and HK\$6,782,000 were included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses", respectively, in the unaudited condensed consolidated statement of profit or loss.

* These items are included in "Other operating expenses" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	
	2021	2020
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	7,190	8,664
Current – Elsewhere		
Charge for the period	6,770	2,850
Underprovision in prior years	22	95
Deferred	(1,399)	94
	<hr/>	<hr/>
Total tax charge for the period	12,583	11,703
	<hr/> <hr/>	<hr/> <hr/>

The share of tax attributable to associates amounting to HK\$50,000 (2020: HK\$1,754,000) 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	
	2021	2020
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK3.0 cents (2020: HK3.0 cents) per ordinary share	11,528	11,528
	<hr/> <hr/>	<hr/> <hr/>

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 2021 and 2020 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	
	2021	2020
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	15,376	30,016
	Number of shares	
	2021	2020
	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 ageing analysis of trade receivables as at 30 September 2021 and 31 March 2021, based on the invoice date and net of provisions, is as follows:

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Within 1 month	398,667	411,019
1 to 2 months	157,960	150,757
2 to 3 months	74,808	80,759
Over 3 months	150,000	138,909
	781,435	781,444

Included in the trade receivables are amounts from subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$200,000 (31 March 2021: HK\$276,000), which is repayable on credit terms similar 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\$384,755,000 (31 March 2021: HK\$394,296,000). An ageing analysis of the trade payables as at 30 September 2021 and 31 March 2021 based on the invoice date, is as follows:

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Within 1 month	279,608	294,577
1 to 2 months	77,525	68,513
2 to 3 months	12,418	13,249
Over 3 months	15,204	17,957
	384,755	394,296

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

Included in the trade payables are amounts due to the Group's associates of HK\$45,594,000 (31 March 2021: HK\$44,154,000), and subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$375,000 (31 March 2021: HK\$165,000), 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

On 10 June 2021, Choice Year Limited ("Choice Year"), an indirect wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase with an independent third party (the "Purchaser"), pursuant to which Choice Year has conditionally agreed to dispose to the Purchaser of its entire equity interest in Future Corporate Limited ("Future Corporate"), a wholly owned subsidiary of Choice Year, at a cash consideration of HK\$42,000,000. A deposit of HK\$4,200,000 was received by the Company and included in "trade payables, other payables and accruals" in the unaudited condensed consolidated statement of financial position.

As at 30 September 2021, the assets and liabilities attributable to Future Corporate have been classified as assets held for sale and are presented separately in the unaudited condensed consolidated statement of financial position. Assets held for sale are measured at the lower of carrying amounts and fair values less costs to sell, resulted in an impairment of assets held for sale of approximately HK\$1,504,000 included in "other operating expenses" in the unaudited condensed consolidated statement of profit or loss.

12. BUSINESS COMBINATION

On 21 May 2021, the Group acquired a food packaging business from an independent third party in Japan at a cash consideration of approximately HK\$11,682,000. A provisional assessment on the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition was made which resulted a provisional gain on bargain purchase of approximately HK\$4,985,000 included in "other income and gains/(losses), net" in the unaudited condensed consolidated statement of profit or loss. The measurement of identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalisation within one year from the acquisition date in accordance with HKFRS 3 *Business Combination*. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming consolidated financial statements of the Group.

13. EVENT AFTER REPORTING PERIOD

On 6 October 2021, Four Seas (Japan) Holdings Company Limited (“Four Seas Japan”), an indirect wholly-owned subsidiary of the Company, entered into the share purchase agreement with Mr. Osamu Miyata (the “Vendor”), under which the Vendor agreed to sell and Four Seas Japan agreed to purchase the 30% of the issued share capital of Miyata Co., Ltd. (“Miyata”) for a consideration of JPY1,000 (equivalent to approximately HK\$70).

As at 30 September 2021, Miyata was a 70% owned subsidiary of the Company and following completion of the transaction, Miyata became an indirectly wholly-owned subsidiary of the Company. Miyata is principally engaged in the wholesaling and distribution of snack food and confectionery in Japan.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2020: HK3.0 cents) in cash per ordinary share for the six months ended 30 September 2021, payable to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 17 December 2021. The said dividend will be paid on Tuesday, 18 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15 December 2021 to Friday, 17 December 2021, 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 2021, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 December 2021.

BUSINESS REVIEW AND PROSPECTS

RESULTS

For the six-month period ended 30 September 2021, the Group's consolidated revenue was HK\$2,353,839,000 (2020: HK\$2,185,079,000). The profit for the year attributable to equity holders of the Company stood at HK\$15,376,000 (2020: HK\$30,016,000). Sales derived from the Hong Kong segment amounted to HK\$921,312,000 (2020: HK\$919,113,000), accounting for 39% of the Group's total sales. Sales in Mainland China amounted to HK\$474,068,000 (2020: HK\$436,184,000), accounting for 20% of the Group's total sales. Sales in Japan amounted to HK\$958,459,000 (2020: HK\$829,782,000), accounting for 41% of the Group's total sales.

BUSINESS REVIEW

The Group commemorates its golden jubilee this year. Half a century of hard work has brought success and glory. During the period under review, the Group overcame the challenges posed by the pandemic and steadily expanded its business. Benefiting from the stabilisation of the pandemic situation in Mainland China and Hong Kong, the Tokyo Olympics in Japan, as well as the Group's forward-looking development plans, targeted product promotion and strategic talent deployment, overall turnover continued to rise.

During the period under review, the Group further consolidated Miyata Co., Ltd. ("MYC"), a well-known Japanese snack and confectionery distributor in Japan to achieve maximum synergy and increase exports to Hong Kong and the Mainland. Following the success of the Japanese ice-cream and plum wine business, the Group made new efforts to promote Japanese eggs, Japanese rice and Japanese tofu products during the period under review. They were well received by the market. Sales points were established in supermarkets, wet markets and shops and the Group became one of the main suppliers. This move not only expanded the group's product range and brought healthy food products to consumers of different age groups, but also drove the Group's business growth and contributed to profitability.

BUSINESS REVIEW (continued)

Distribution Business

Distribution is one of the Group's core businesses. The Group distributes a variety of quality food products from more than 20 countries and regions in collaboration with famous food manufacturers worldwide. Its experienced sales team sources high-quality food products such as Japanese ice-creams, snacks, powdered milk, health foods, sauces, ham, sausages, Japanese eggs, Japanese rice and Japanese plum wine from Japan, Korea, Thailand, Indonesia, Malaysia, Singapore, the United Kingdom, France, Germany, Netherlands, the United States, Mainland China and etc. By maintaining an extensive distribution network of department stores, supermarkets, wet markets, convenience stores, fast-food restaurants, wholesalers, retailers, Japanese snack shops, Chinese restaurants, bars, hotels, airlines, etc., and operating specialty food stores in Hong Kong, including "Okashi Land" Japanese snack stores, "Japan ice-cream House" Japanese ice-cream stores and "YOKU MOKU" Japanese cookie stores, the Group brings consumers diverse delicacies from around the world.

After establishing the Hong Kong market for Japanese ice-cream and introducing plum wine of Japanese brand CHOYA to Hong Kong, in the period under review the Group also introduced Japanese eggs, Japanese rice and Japanese tofu products to the market with enormous success. In addition, MYC, a company acquired by the Group, maintains an extensive network of suppliers for a vast variety of confectionery products. It also imports quality products from Mainland China, the United States, Malaysia and South Korea. The Group will continue to identify renowned brands and bring consumers exceptional new products.

Manufacturing Business

With stringent quality control and rigorous scientific management, the Group ensures compliance with international standards to maintain customer confidence. The Group holds numerous accreditations such as "HACCP", "ISO 9001", "ISO 22000" and "GMP" certifications, the Hong Kong Q-Mark Licence acknowledging compliance with the "Hong Kong Q-Mark Scheme for over 30 years", as well as the Hong Kong Cooking Oil Registration Scheme Companion Certification issued by the Hong Kong Quality Assurance Agency (HKQAA). The certificates are testimony to the standards the Group demands of itself.

BUSINESS REVIEW (continued)

Retail and Catering Businesses

In its retail and catering businesses, the Group is recognised for its innovation. The Chinese and Japanese eateries of the Group are popular and highly regarded in both Guangdong and Hong Kong. The Hong Kong branch of “Sushiyoshi”, a two-star rating restaurant in the Michelin Guide to Osaka, and the Japanese restaurant “Shiki • Etsu”, with branches in Admiralty and Kowloon Bay, are gourmets’ favourites. The Shanghainese vegetarian restaurant “Kung Tak Lam” (Causeway Bay Branch) was awarded the Michelin Plate in Michelin Guide 2021. In Guangzhou, “Panxi Restaurant” and kaiten sushi “Sushi Oh” are extremely popular among locals. In addition, Japanese snack stores “Okashi Land”, Japanese ice-cream stores “Japan ice-cream House” and cookie stores “YOKU MOKU” continue to be loved by consumers for their delicious and trendy Japanese snacks.

BRAND DEVELOPMENT

The Group celebrates its 50th anniversary this year. It has grown with the city of Hong Kong and has become a highly regarded household name and leader in the city’s snack market. The Group is devoted to fulfilling the needs of different age groups and of the market in general, and its business scope is constantly expanding, covering food distribution, food manufacturing, retail, catering and its own brands. The Group constantly introduces new products to expand the range of its offerings and keep up with current trends. It also upholds the motto of “eating safely, eating happily”, maintaining the highest standards of food hygiene, safety and quality by establishing a comprehensive monitoring system to ensure that its products are safe and delicious.

With the strong foundation of the Four Seas brand, the Group is actively expanding its market share in Mainland China and Japan, laying the groundwork for long-term development. The acquisition of MYC has allowed the Group to create a unique food sales platform covering Mainland China, Hong Kong and Japan. It has not only created a new growth segment for the Group, strengthened the Group’s sales capabilities and expanded its customer base, but also helped combine the expertise and advantages of both companies and brought synergies in branding and sales. The Group is now able to introduce top Japanese confectionery products to Hong Kong’s and China’s confectionery and food distribution markets, and leverage MYC to enter into the Japanese snacks consumer market and expand its food distribution business.

BUSINESS REVIEW (continued)

CORPORATE SOCIAL RESPONSIBILITY

Upholding the belief that "virtues bring happiness and happiness brings longevity", the Group actively promotes and participates in social welfare activities in Hong Kong. Its contribution is recognised by all walks of life and has brought the Group numerous awards. The Group cares deeply about food safety and has adopted high-standard health and safety precautions in its production plants and restaurants.

Its efforts are well recognized by the industry. The Group has won the "Hong Kong Outstanding Listed Company 2021 - Outstanding Food Company" award by Economic Digest. Besides, the Group's products continuously received various awards. "Calbee" was awarded by 7-Eleven Convenience Store for "Most Favorite Brand of Convenience Stores Award 2020" and ParknShop's Super Brands Award 2020 for "Diamond Award", "Top Ten Excellence Brands", "Star Supermarket Brand" and "Super Supermarket Brand". As well, among the receivers of ParknShop's Super Brands Award 2020, on the list is "Star Supermarket Brand (ice-creams)" to Four Seas' ice-creams and "Super Brands Award" to Four Seas Blend Coffee and Glico respectively.

PROSPECTS AND GROWTH

Although the outlook for the global economy is still uncertain as the pandemic recedes, the Group remains confident about the prospects of the food market in Hong Kong, Mainland China and Japan. The Group will continue to strengthen the food platform across these three territories and introduce high-quality food products and famous brands from around the world in pursuit of its strategy of being "Based in Hong Kong, Yearning for Mainland and Looking around the world".

Hong Kong Business

With 50 years of experience in the food market and a huge sales network, the Group stands firmly as the leader of the food market in Hong Kong. In the future, the Group will continue to seek change while maintaining stability, and uphold its pioneering and innovative spirit. Through the acquisition of MYC, the Group will continue to expand into the confectionery and snacks food distribution markets in Hong Kong and Mainland China with a focus on high-end Japanese confectionery products, while laying foundation for new business by promoting the Four Seas brand in Japan's consumer market.

In recent years, the Group has introduced Japanese ice-creams, Japanese plum wine, Japanese eggs, Japanese rice and Japanese tofu to Hong Kong with great success. This not only attracted strong interest and created a market trend, but also generated a new and stable stream of income. Looking ahead, the Group will continue to source delicious food products to fulfil the needs of Hong Kong consumers.

PROSPECTS AND GROWTH (continued)

Mainland China Business

After intensively cultivating the Mainland China market, the Group's business in the territory has grown steadily. The Group's diverse products are well received by local consumers. In addition to traditional retail channels, products have been made available on many large e-commerce platforms such as Taobao, Tmall, Tmall International and JD, allowing Mainland consumers greater access to the products. The use of social media influencer marketing has also generated online and offline interactions, which have successfully stimulated sales, increasing the Group's market share in the Mainland China and creating new business opportunities.

The Greater Bay Area has a population of over 80 million. The food culture, taste and preferences of the population are very similar to those of Hong Kong consumers, as is their appetite for Japanese snacks. At present, the Japanese snack market in the Mainland China is still in its infancy, and there is plenty of room for development. The Mainland China market is one of the focuses of the Group's future development and is expected to bring further benefits to the Group's business. The Group will simultaneously adopt a proactive approach to taking Mainland food products overseas to more consumers.

Japan Business

With a population of over 120 million, Japan has a huge snack market. The Group just completed the acquisition to wholly own MYC in October this year. MYC has a long history of 90 years and is a renowned snack and confectionery distributor in Japan specialised in the wholesaling and distribution of confectionery. It has a strong sales and distribution network and broad customer base in Japan. Its customers span from established nationwide supermarket chains and convenience stores (including famous retail chains such as AEON, Daiso 100-yen shop, Muji) to regional retailers, wholesalers, exporters and overseas customers. The Group will leverage MYC to enter into the Japanese snack market and invest more resources to develop the Japanese market by introducing the Group's brand and featured Chinese-style foods.

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 2021, the Group held cash and cash equivalents of HK\$638,708,000. As at 30 September 2021, the Group had banking facilities of HK\$2,858,582,000 of which 43% had been utilised. The Group had a gearing ratio of 89% as at 30 September 2021. 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 year.

STAFF EMPLOYMENT AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2021 was approximately 2,900. 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 six months ended 30 September 2021.

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 2021, 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 appointments. 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.

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 2021.

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 2021.

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 2021 and discussed with the management on the accounting principles and practices adopted by the Group, risk management, 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 2021, containing information required by the Listing Rules, will be despatched to the 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 Group's shareholders, business partners and staff for giving 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. TAI Chun Kit, Mr. MAN Wing Cheung, Ellis and Mr. WU Wing Biu 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 2021