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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 RESULTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

**AND**

**CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR**

**AND TRANSFER OFFICE**

**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 2022, 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 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>4,729,976</b>	4,579,837
Cost of sales		<u>(3,792,418)</u>	<u>(3,701,333)</u>
Gross profit		<b>937,558</b>	878,504
Other income and gains/(losses), net	4	<b>38,572</b>	28,318
Selling and distribution expenses		<b>(525,483)</b>	(464,200)
Administrative expenses		<b>(358,217)</b>	(349,692)
Other operating expenses		<b>(19,743)</b>	(19,452)
Finance costs	5	<b>(23,815)</b>	(28,997)
Share of profits and losses of associates		<u>(3,644)</u>	<u>11,664</u>
<b>PROFIT BEFORE TAX</b>	3 & 6	<b>45,228</b>	56,145
Income tax expense	7	<u>(25,416)</u>	<u>(24,497)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>19,812</b></u>	<u>31,648</u>
Attributable to:			
Equity holders of the Company		<b>12,634</b>	30,127
Non-controlling interests		<u><b>7,178</b></u>	<u>1,521</u>
		<u><b>19,812</b></u>	<u>31,648</u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE COMPANY</b>			
- Basic and diluted	9	<u><b>HK3.3 cents</b></u>	<u><b>HK7.8 cents</b></u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>19,812</b>	31,648
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	25,003	71,484
Release of exchange reserve for voluntary liquidation of a foreign operation	329	-
Share of other comprehensive income of associates	1,722	3,433
<i>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>	<b>27,054</b>	74,917
<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	(8,792)	9,786
- Income tax effect	3,012	(3,353)
Defined benefit obligations:		
- Gains/(losses) on remeasurement	(183)	1,847
- Income tax effect	63	(632)
<i>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</i>	<b>(5,900)</b>	7,648
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>21,154</b>	82,565
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>40,966</b>	114,213
Attributable to:		
Equity holders of the Company	33,036	107,852
Non-controlling interests	7,930	6,361
	<b>40,966</b>	114,213

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		915,068	1,026,594
Investment properties		41,615	42,469
Goodwill		119,848	125,396
Other intangible assets		63,094	74,285
Investments in associates		170,162	172,463
Financial assets at fair value through profit or loss		41,383	31,635
Financial assets at fair value through other comprehensive income		10,844	20,009
Prepayments, deposits and other receivables		24,146	31,111
Deferred tax assets		20,940	20,841
		<hr/>	<hr/>
Total non-current assets		1,407,100	1,544,803
<b>CURRENT ASSETS</b>			
Inventories		406,389	417,842
Trade receivables	10	723,961	781,444
Prepayments, deposits and other receivables		155,679	199,138
Tax recoverable		1,052	371
Financial assets at fair value through profit or loss		46,840	39,186
Derivative financial assets		-	828
Cash and cash equivalents		611,220	577,227
		<hr/>	<hr/>
Total current assets		1,945,141	2,016,036
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	11	583,018	599,803
Interest-bearing bank borrowings		923,782	963,052
Lease liabilities		113,412	123,651
Tax payable		13,877	21,907
		<hr/>	<hr/>
Total current liabilities		1,634,089	1,708,413
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		311,052	307,623
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		1,718,152	1,852,426

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***31 March 2022*

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	<b>126,481</b>	194,384
Lease liabilities	<b>164,804</b>	217,960
Other payables and accruals	<b>3,491</b>	4,524
Defined benefit obligations	<b>7,088</b>	7,284
Deferred tax liabilities	<b>45,599</b>	50,491
	<hr/>	<hr/>
Total non-current liabilities	<b>347,463</b>	474,643
	<hr/>	<hr/>
Net assets	<b>1,370,689</b>	1,377,783
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	<b>38,425</b>	38,425
Reserves	<b>1,303,858</b>	1,338,898
	<hr/>	<hr/>
	<b>1,342,283</b>	1,377,323
<b>Non-controlling interests</b>	<b>28,406</b>	460
	<hr/>	<hr/>
Total equity	<b>1,370,689</b>	1,377,783
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# 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 investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivatives financial assets and defined benefit obligations 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.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

## 1. **BASIS OF PREPARATION** (continued)

### Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and the 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 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 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.



## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) (continued)

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and Japanese dollars based on London Interbank Offered Rate (“LIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these instruments 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 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\$24,853,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss. There was no impact on the opening balance of equity as at 1 April 2021.

### 3. 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.

### 3. OPERATING SEGMENT INFORMATION (continued)

2022

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	1,843,958	929,929	1,956,089	4,729,976
Intersegment sales	40,797	208,343	51,029	300,169
	1,884,755	1,138,272	2,007,118	5,030,145
<i>Reconciliation:</i>				
Elimination of intersegment sales				(300,169)
Revenue				4,729,976
<b>Segment results</b>	<b>70,001</b>	<b>4,313</b>	<b>15,694</b>	<b>90,008</b>
<i>Reconciliation:</i>				
Interest income				2,076
Dividend income and unallocated gains/(losses), net				1,200
Finance costs (other than interest on lease liabilities)				(16,996)
Share of profits and losses of associates				(3,644)
Corporate and other unallocated expenses				(27,416)
Profit before tax				45,228

2021

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	1,729,182	863,114	1,987,541	4,579,837
Intersegment sales	41,776	201,987	15,559	259,322
	1,770,958	1,065,101	2,003,100	4,839,159
<i>Reconciliation:</i>				
Elimination of intersegment sales				(259,322)
Revenue				4,579,837
<b>Segment results</b>	<b>68,845</b>	<b>24,054</b>	<b>(1,500)</b>	<b>91,399</b>
<i>Reconciliation:</i>				
Interest income				7,336
Dividend income and unallocated gains/(losses), net				(4,256)
Finance costs (other than interest on lease liabilities)				(19,307)
Share of profits and losses of associates				11,664
Corporate and other unallocated expenses				(30,691)
Profit before tax				56,145

### 3. OPERATING SEGMENT INFORMATION (continued)

2022	Mainland			Total
	Hong Kong	China	Japan	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>1,300,289</b>	<b>890,697</b>	<b>670,873</b>	<b>2,861,859</b>
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(412,059)
Investments in associates				170,162
Corporate and other unallocated assets				732,279
Total assets				<u><u>3,352,241</u></u>
<b>Segment liabilities</b>	<b>553,554</b>	<b>320,518</b>	<b>409,800</b>	<b>1,283,872</b>
<i>Reconciliation:</i>				
Elimination of intersegment payables				(412,059)
Corporate and other unallocated liabilities				1,109,739
Total liabilities				<u><u>1,981,552</u></u>
<b>Other segment information:</b>				
Impairment of trade receivables	672	2,425	47	3,144
Write-down of slow-moving inventories	438	861	553	1,852
Depreciation and amortisation, except right-of-use assets	24,790	43,978	18,008	86,776
Depreciation of right-of-use assets	107,525	26,262	10,338	144,125
Loss on disposal of a subsidiary	1,405	-	-	1,405
Impairment of items of property, plant and equipment, except right-of-use assets	164	-	-	164
Impairment of right-of-use assets	836	900	-	1,736
Loss on disposal/write-off of items of property, plant and equipment	1,122	61	194	1,377
Fair value gain on investment properties	-	-	(75)	(75)
Capital expenditure*	20,404	36,379	1,043	57,826
Non-current assets**	323,468	488,428	327,729	1,139,625

### 3. OPERATING SEGMENT INFORMATION (continued)

2021	Mainland			Total
	Hong Kong	China	Japan	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
<b>Segment assets</b>	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
Total assets				<u>3,560,839</u>
<b>Segment liabilities</b>	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
Total liabilities				<u>2,183,056</u>
<b>Other segment information:</b>				
Impairment/(reversal of impairment) of trade receivables	(6)	(869)	113	(762)
(Reversal of write-down)/write-down of slow-moving inventories	(330)	5,211	3,047	7,928
Depreciation and amortisation, except right-of-use assets	25,871	37,715	19,508	83,094
Depreciation of right-of-use assets	116,169	25,378	9,778	151,325
Impairment of items of property, plant and equipment, except right-of-use assets	3,918	-	-	3,918
Impairment of right-of-use assets	4,082	-	-	4,082
Loss on disposal/write-off of items of property, plant and equipment	116	2,273	1,423	3,812
Fair value losses on investment properties	-	-	292	292
Capital expenditure*	21,992	45,165	1,320	68,477
Non-current assets**	411,927	494,395	362,422	1,268,744

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

\*\* The non-current assets 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	<u><u>4,729,976</u></u>	<u><u>4,579,837</u></u>

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Primary geographical markets:</i>		
Hong Kong	1,843,958	1,729,182
Mainland China	929,929	863,114
Japan*	<u>1,956,089</u>	<u>1,987,541</u>
	<u><u>4,729,976</u></u>	<u><u>4,579,837</u></u>
<i>Timing of revenue recognition:</i>		
At a point in time	<u><u>4,729,976</u></u>	<u><u>4,579,837</u></u>

\* Including revenue from contracts with customers of approximately HK\$75,510,000 (2021: HK\$63,088,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sale of goods	<u><u>3,160</u></u>	<u><u>4,127</u></u>

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

An analysis of revenue is as follows: (continued)

##### Revenue from contracts with customers (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) are as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b><u>2,397</u></b>	<b><u>3,160</u></b>

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	656	2,005
Dividend income	1,417	2,471
Government subsidies*	17,687	12,471
Rental income from investment properties operating leases:		
Other lease payments, including fixed payments	3,385	3,272
Interest income	1,420	5,331
Others	9,164	9,495
	<u>33,729</u>	<u>35,045</u>
<b>Gains/(losses), net</b>		
Gain on bargain purchase	4,985	-
Net fair value gains/(losses) on investment properties	75	(292)
Net fair value losses on financial assets at fair value through profit or loss	(434)	(7,095)
Fair values changes of derivative financial instruments, net	217	660
	<u>4,843</u>	<u>(6,727)</u>
	<u><u>38,572</u></u>	<u><u>28,318</u></u>

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

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and trust receipt loans	16,996	19,307
Interest on lease liabilities	6,819	9,690
	<u>23,815</u>	<u>28,997</u>



## 6. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	<b>3,790,566</b>	3,693,405
Government subsidies <sup>#</sup>	-	(50,300)
Depreciation of items of property, plant and equipment, except right-of-use assets	<b>81,442</b>	77,884
Depreciation of right-of-use assets	<b>144,125</b>	151,325
Amortisation of other intangible assets	<b>5,334</b>	5,210
Loss on disposal/write-off of items of property, plant and equipment, net*	<b>1,377</b>	3,812
Loss on disposal of a subsidiary*	<b>1,405</b>	-
Gain on derecognition of right-of-use assets, net	<b>(200)</b>	(10)
Loss on remeasurement of lease liabilities, net	-	1
Impairment of items of property, plant and equipment, except right-of-use assets*	<b>164</b>	3,918
Impairment of right-of-use assets*	<b>1,736</b>	4,082
Foreign exchange differences, net	<b>(1,948)</b>	5,203
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property	<b>1,370</b>	1,234
Impairment/(reversal of impairment) of trade receivables*	<b>3,144</b>	(762)
Write-down of slow-moving inventories**	<b>1,852</b>	7,928
	<b><u>1,852</u></b>	<b><u>7,928</u></b>

\* 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.

# In prior year, included in employee benefit expense was the government subsidies on the grants from the Employment Support Scheme of the Hong Kong Government totaling HK\$50,300,000, which aims to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these subsidies.

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	<b>16,754</b>	19,085
Current – Elsewhere		
Charge for the year	<b>11,840</b>	9,279
Underprovision/(overprovision) in prior years	<b>184</b>	(1,906)
Deferred	<b>(3,362)</b>	(1,961)
	<hr/>	<hr/>
Total tax charge for the year	<b>25,416</b>	24,497
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim – HK3.0 cents (2021: HK3.0 cents) per ordinary share	<b>11,528</b>	11,528
Proposed final dividend – HK6.5 cents (2021: HK6.5 cents) per ordinary share	<b>24,977</b>	24,977
	<hr/>	<hr/>
	<b>36,505</b>	36,505
	<hr/> <hr/>	<hr/> <hr/>

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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The calculations of basic earnings per share are based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u><u>12,634</u></u>	<u><u>30,127</u></u>
	<b>Number of shares</b>	
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><u>384,257,640</u></u>	<u><u>384,257,640</u></u>

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

## 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	356,815	411,019
1 to 2 months	152,090	150,757
2 to 3 months	76,868	80,759
Over 3 months	138,188	138,909
	<u>723,961</u>	<u>781,444</u>

Included in the trade receivables are amounts due from subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$69,000 (2021: HK\$276,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

## 11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK\$371,864,000 (2021: HK\$394,296,000). An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	331,429	294,577
1 to 2 months	25,572	68,513
2 to 3 months	7,599	13,249
Over 3 months	7,264	17,957
	<u>371,864</u>	<u>394,296</u>

## 11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

Included in the trade payables are amounts due to the Group's associates of HK\$42,537,000 (2021: HK\$44,154,000) and subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$945,000 (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.

## 12. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed 100% equity interests in a subsidiary in Hong Kong, which held a property, for a total cash consideration of HK\$42,000,000. The loss on the disposal (before and after tax) amounted to approximately HK\$1,405,000.

## 13. 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 fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition was made which resulted a gain on bargain purchase of approximately HK\$4,985,000 included in "Other income and gains/(losses), net" in the consolidated statement of profit or loss.

The fair value of the identifiable assets and liabilities as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition HK\$'000</b>
Property, plant and equipment	<b>19,003</b>
Inventory	<b>840</b>
Prepayments, deposits and other receivables	<b>293</b>
Other payables and accruals	<b>(871)</b>
Deferred tax liability	<b>(2,598)</b>
	<hr/>
Total identifiable net assets at fair value	<b>16,667</b>
	<hr/>
Gain on bargain purchase	<b>(4,985)</b>
	<hr/>
Satisfied by cash	<b>11,682</b>
	<hr/> <hr/>

## **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 2022. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Monday, 29 August 2022 (the “AGM”), the said final dividend will be paid in cash on Monday, 26 September 2022 to shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Tuesday, 6 September 2022. 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 2022 are HK9.5 cents (2021: HK9.5 cents).

## **CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

With effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Tengis Limited (“Branch Share Registrar”) will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

## **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, 23 August 2022 to Monday, 29 August 2022, 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 (and with effect from 15 August 2022 onwards, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) for registration not later than 4:30 p.m. on Monday, 22 August 2022; and
  
- (ii) from Friday, 2 September 2022 to Tuesday, 6 September 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2022. 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 (and with effect from 15 August 2022 onwards, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) for registration not later than 4:30 p.m. on Thursday, 1 September 2022. The proposed final dividend is subject to the shareholders' approval at the AGM. The record date for entitlement to the proposed final dividend is Tuesday, 6 September 2022 and the payment of final dividend will be made on Monday, 26 September 2022.

## **BUSINESS REVIEW AND PROSPECTS**

The Group grew steadily amid the pandemic in the year under review. The situation of the global COVID-19 pandemic has fluctuated, while strict lockdowns were implemented in some areas of Mainland China and Hong Kong has been hit by the fifth wave of the pandemic, which the supply chain and economic growth were affected seriously. In addition, the interest rates kept rising under a weak global economy. Against all odds, the Group continued to achieve revenue growth with its solid foundation and flexible business policies on top of the synergy effect with the acquisition of Miyata Co., Ltd. and its subsidiaries (“Miyata”), a renowned snack food and confectionery distributor in Japan.

During the review period, the Group was able to expand its business, search for new profit growth points, strengthen its brand, and introduce a new experience for consumers from Hong Kong through Miyata’s diverse food and snack items. The Group has been sourcing products including ice cream from renowned brands, CHOYA plum liqueur, Japanese eggs, Japanese milk, Japanese tofu, and Japanese rice, to provide a wide range of choices for consumers.

## **RESULTS**

In the annual results for the year ended 31 March 2022, the Group’s consolidated revenue was HK\$4,729,976,000 (2021: HK\$4,579,837,000). The Profit for the year attributable to equity holders of the Company stood at HK\$12,634,000 (2021: HK\$30,127,000). Sales derived from the Hong Kong segment amounted to HK\$1,843,958,000 (2021: HK\$1,729,182,000), accounting for 39% of the Group’s total sales. Sales in Mainland China amounted to HK\$929,929,000 (2021: HK\$863,114,000), accounting for 20% of the Group’s total sales. Sales in Japan amounted to HK\$1,956,089,000 (2021: HK\$1,987,541,000), accounting for 41% of the Group’s total sales.

In the year under review, the disruption to the supply chain caused by the COVID-19 pandemic and its related containment measures has caused the increase in selling and distribution expenses. Meanwhile, in Mainland China, there were lockdowns in various regions, which affected the supply chain between Mainland China and Hong Kong with the resulting phenomenon of “high demand, no supply”. The worldwide disruption to the supply chain has also created raw material shortage problem for a major associate of the Company and consequently the Group’s share of losses of associates was HK\$3,644,000 for the year ended 31 March 2022 as compared with a share of profits of HK\$11,664,000 last year. The fifth wave of the epidemic also impacted the retailing and catering businesses of the Group. Although the Group has received the subsidy of the Anti-epidemic Fund for two consecutive years, the amount of subsidy for the year ended 31 March 2022 has decreased compared to that of last year, causing a decline in performance.



## **BUSINESS REVIEW AND PROSPECTS (continued)**

### **RESULTS (continued)**

Despite the obstacles, the Group continued to introduce a diverse range of Japanese foods and explored more opportunities in the food distribution segment. Japanese ice cream has been a particularly big success, with brands such as Meiji, Lotte, Glico, Imuraya, SEIKA from Kagoshima, SEIHYO from Niigata, and BLUE SEAL from Okinawa, receiving hearty support from local consumers. Distributing Japanese eggs, Japanese milk, tofu from Imuraya, and Japanese rice has also helped the Group to make gains in the market.

## **BUSINESS REVIEW**

### **Distribution Business**

Food distribution, an integral part of the Group's business, has been developing steadily over the years. In early 2022, Hong Kong was influenced by the fifth wave of the epidemic. The lockdown restrictions that forced consumers to stay indoors have offered a market opportunity for the food distribution business. The Group has a comprehensive sales strategy and an extensive distribution network comprising department stores, supermarkets, convenience stores, fast-food restaurants, wholesalers, retailers, restaurants, bars, hotels, and airlines. Moreover, the Group also operates food specialty stores, such as the "Okashi Land" Japanese snack stores, "YOKU MOKU" cookie stores, and "Japan Ice-cream House", selling agent products to satisfy the various needs of Hong Kong people.

The Group is always on the lookout for crave-satisfying food products around the world from more than ten countries. The products it distributes include ice cream, eggs, tofu, rice, milk, snacks, milk powder, health food, plum liqueur, sauce, ham, and sausage. The Group aims to continue looking for renowned brands to tickle consumers' taste buds with exceptional products.

During the year under review, the Group acquired all the remaining equity interest of Miyata. The Group can now act on its own to plan for Miyata's development direction and the penetration of the Japanese market which strengthens the food distribution business of the Group. Miyata has a long history in Japan and owns a strong network of retail and distribution with a vast customer base. Products can be found in supermarket chains and convenient stores including national retail leaders AEON, Daiso, and Muji, along with regional retailers, wholesalers, exporters, and oversea clients. It also has a comprehensive network of snacks and confectionary suppliers and sources a wide range of quality confectionery products from overseas suppliers in Mainland China, the United States, Malaysia, and South Korea.

## **BUSINESS REVIEW AND PROSPECTS (continued)**

### **BUSINESS REVIEW (continued)**

#### **Manufacturing Business**

Under the pandemic, more citizens have chosen to eat in, therefore boosting the demand of the Group's manufacturing business.

Food hygiene, safety, and quality have always been the priority of the Group, whose motto is: "Eating Safely, Eating Happily". The Group has a set of rigorous standards towards food manufacturing and has set up a sound monitoring system to ensure its products are safe, high-quality, and delicious. Through stringent quality control and advanced production monitoring systems, the Group takes great pride in the quality of its products which meet international standard. The Group 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 Hong Kong Quality Assurance Agency. The certifications are a testimony to the quality of the Group's food products and the standards it demands of itself.

The Group has 19 plants in Hong Kong, Mainland China and Japan, where it manufactures a wide range of unique food products. With its one-stop production and targeted sales strategies, it is capable of meeting market demand and bolstering its leading status in the industry. Located in Tseung Kwan O Industrial Estate, the Calbee Four Seas factory produces snacks such as potato chips which are hot selling items in Hong Kong. Market demand for its products is high.

## **BUSINESS REVIEW AND PROSPECTS (continued)**

### **BUSINESS REVIEW (continued)**

#### **Retailing and Catering Business**

In view of the harsh pandemic prevention measures in Hong Kong and Mainland China, such as the cessation of dine-in services and lockdowns, the catering business was heavily influenced. Despite the obstacles, the Group was still seeking a breakthrough while maintaining stable daily operations. The Group's subsidiary Chinese and Japanese restaurants are known and loved for their appetizing dishes, efficient management, and remarkable services. These include Japanese restaurant "Shiki • Etsu", Shanghai vegetarian restaurant "Kung Tak Lam", "Sushiyoshi" and "QJIKI" in Hong Kong, as well as "Panxi Restaurant" and "Sushi Oh" in Mainland. Many customers still like to visit Sushiyoshi of the Group even during the pandemic period.

The Group's Japanese snacks store "Okashi Land" has been dedicated to bringing Japanese on-trend refreshments to consumers in the local market and has recently added special counters for Japanese ice cream. To keep pace with rapidly advancing technology, the Group partnered with Zen-Noh International Hong Kong Limited to present alluring Japanese lunchboxes "Nagomi Bento". To serve consumers better, the Group has set up an ordering spot at Kowloon Bay and joined hands with the online food and grocery delivery platform to broaden its business into the virtual world and allowing a wider base of consumers with instant and wider access to its products irrespective of their geographical location.

### **BRAND DEVELOPMENT**

The Group has walked through 50 years together with the public and stepped into a new era. The Group is a household brand in the industry with a wide following among local, Mainland, and foreign consumers. Founded in 1971 and listed on the Hong Kong Stock Exchange in 1993, it has grown with the city itself and takes great pride in its products. During its early days, the Group focused on the distribution of Japanese snacks. It then expanded into food manufacturing, retailing, and catering, laying the foundation to scale up its business. As a leader in the local confectionery and food market, it has marched into Mainland China and foreign markets, serving as a "snack diplomat" that bridges the gastronomic gap between countries by introducing overseas delicacies to Mainland China and taking unique Chinese food products to foreign markets and thus fostering cultural exchange. At the same time the Group will grow with the community and seize every opportunity.

During the period under review, Mr. Tai Tak Fung, Chairman of the Group, was conferred the 2020 Hong Kong Distinguished Brand Leader Award by the Hong Kong Brand Development Council in recognition of his efforts in promoting "Four Seas" to become a household brand in Hong Kong. This shows the penetration of the "Four Seas" brand which has been well received by the consumers.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Group upholds the spirit of “Take from society, Give back to society” by promoting and participating in social and community services in the city. Its emphasis on community building and youth development has brought it numerous awards. Last year, as the community struggled along with the pandemic, the Group engaged in a charity event called “City Food Drive” to raise food for vulnerable families. It has also sponsored activities organised by bodies such as Junior Police Call, schools, elderly and women’s organisations, and Kaifong welfare organisations, among others, to take Four Seas products to different segments of the community and contribute to public welfare. In doing so, the Group hopes to spread its spirit of “Eating Happily” to society and to cheer people up in these hard times.

The Group’s efforts have been highly appreciated both within and outside the industry. Four Seas Group has been recognized as “Hong Kong Outstanding Enterprise 2021” by Economic Digest; Calbee Four Seas Company Limited has been awarded for 15 consecutive years “Caring Company” certificate by the Hong Kong Council of Social Service; Calbee has been awarded “Top Brand Award” by 7-Eleven Convenient Store in 2020; Calbee has been awarded “Favourite Brands Awards (Snacks)” by Ztore in 2021; Calbee Four Seas Company Limited has been awarded “Excellent Brand For Supermarket”, “Star Supermarket Brand (Snack)”, “Top Ten Outstanding Brand” and “Diamond Brand” by PARKnSHOP; Four Seas Premium Blend Coffee has been awarded “Brand Awards” by PARKnSHOP in 2020; Glico has been awarded “Brand Awards” by PARKnSHOP in 2020; Lotte has been awarded “Star Supermarket Brand (Ice Cream)”. All of the above achievements show the recognition of the Group by the general public.

## **PROSPECTS AND GROWTH**

With 50 years of success in operating a multifaceted business, the Group is confident about its future development. In the coming years, it will stick to the development strategy of “Based in Hong Kong, Yearning for Mainland and Looking around the World”. Taking Hong Kong as its base, the Group will foster business development by maintaining its leading position in the local market while continuing to try to preserve its competitive edge in Mainland China and exploring all opportunities in Japan and other regions.

According to the current situation, it is foreseeable there will be three main positive factors. First, the import cost and prices of raw materials have been reduced as a consequence of the weak yen. Second, consumers are fond of Japanese food, leading to the high demand for the Group’s products, which catalyzes the Group’s business. Last but not least, the pandemic is subdued because of the high vaccination rate, resolving the supply chain disruption, and reducing the overall cost of the Group’s business.

### **Business in Hong Kong**

Rooted in Hong Kong, the Group will continue to make its best endeavors to seek business opportunities while maintaining its leading position in the local retailing and distribution industry. The Group will also emphasize increasing its market share by adding new types of treats to its portfolio, allowing customers to enjoy snacks from across the globe. At the same time, the Group will utilize its capital, resources, food manufacturing plants in Mainland China, and Miyata’s large distribution network to create synergy among its subsidiary brands.

During the review period, the Group has achieved success in the sales of CHOYA plum liqueur and Japanese ice cream. In particular, Matsubara Beikoku Co., Ltd., a Hokkaido rice supplier, has agreed to a deal with the Group, exporting Japanese rice to Hong Kong. The agreement has ensured a stable supply of Japanese rice, one of the most popular products in Hong Kong. In the coming year, the Group’s featured products would be Japanese rice from Matsubara Beikoku, tofu from Imuraya, milk from Kyushu Nyugyo, and Japanese eggs, promoting the healthy lives of Hong Kong citizens.

## **PROSPECTS AND GROWTH (continued)**

### **Business in Mainland China**

The Group believes that the influence of the pandemic on Mainland China would not last long while the continuing development potential of Mainland China and the market are not impacted. It is therefore the Group continues to focus on the business in the Mainland, utilizing its competitive advantages and aligning with the plans and initiatives of the Greater Bay Area (GBA) development project. As one of the first pioneer enterprises in Nansha New District, the Group's products have become more popular with an extensive sales network covering the whole country. Apart from traditional retail channels, the Group is also developing a hybrid model of sales by boosting the e-commerce and digitalization of import and export trade. It has joined online trading platforms, such as Taobao, Tmall, Tmall Global, and Jingdong, inviting key opinion leaders for product promotions. These strategies have helped increase sales and created additional opportunities. The Group will also take advantage of self-owned factories to promote its products through various channels and expand its brand.

### **Business in Japan**

After the acquisition of Miyata, the Group will put more emphasis on the Japanese market. It is expected that the business in Japan will be the catalyst for the Group's business growth and become a major source of profit. The Group will keep on developing new products and use Miyata as a passage to the Japanese market. Miyata's vast network of distribution will help the sales of food produced in Mainland China, such as chestnuts and biscuits, to Japan, providing more diverse and quality choices for the Japanese. At the same time, the Group will utilize Miyata's network to introduce more Japanese food to Hong Kong and Mainland market. This will generate a synergy effect between the Japanese, Hong Kong, and Mainland markets, which is beneficial for the long-term development of the Group.

## **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 2022, the Group held cash and cash equivalents of HK\$611,220,000. As at 31 March 2022, the Group had banking facilities of HK\$2,837,689,000 of which 37% had been utilized. The Group had a gearing ratio of 78% as at 31 March 2022. 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 31 March 2022 was approximately 2,800. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

## **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.

The CG Code and code provisions specified above refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's 2022 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 2022.

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 2022.

## **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 2022.

## **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 2022 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 2022 annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.fourseasgroup.com.hk](http://www.fourseasgroup.com.hk). The annual report of the Company for the year ended 31 March 2022, 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. WU Wing Bui and Mr. WONG Fu Hang, Derek 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 2022