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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 2022**

**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 2022, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2022	2021
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	<i>Notes</i>		
<b>REVENUE</b>	3	<b>2,112,609</b>	2,353,839
Cost of sales		<u>(1,623,367)</u>	<u>(1,866,674)</u>
Gross profit		<b>489,242</b>	487,165
Other income and gains/(losses), net	3	<b>17,885</b>	17,783
Selling and distribution expenses		<b>(257,226)</b>	(254,655)
Administrative expenses		<b>(187,637)</b>	(193,478)
Other operating expenses		<b>(7,489)</b>	(7,824)
Finance costs	4	<b>(11,285)</b>	(12,426)
Share of profits and losses of associates		<u><b>3,102</b></u>	<u>(547)</u>
<b>PROFIT BEFORE TAX</b>	2 & 5	<b>46,592</b>	36,018
Income tax credit/(expense)	6	<u><b>14,081</b></u>	<u>(12,583)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>60,673</b></u>	<u>23,435</u>
Attributable to:			
Equity holders of the Company		<b>58,381</b>	15,376
Non-controlling interests		<u><b>2,292</b></u>	<u>8,059</u>
		<u><b>60,673</b></u>	<u>23,435</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
- Basic and diluted	8	<u><b>HK15.2 cents</b></u>	<u>HK 4.0 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2022	2021
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>60,673</b>	23,435
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(104,636)	14,244
Share of other comprehensive income/(loss) of associates	(5,347)	553
<i>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>	(109,983)	14,797
<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	(1,412)	(796)
- Income tax effect	484	273
Defined benefit obligations:		
- Gains on remeasurement	196	381
- Income tax effect	(67)	(129)
<i>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</i>	(799)	(271)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(110,782)</b>	14,526
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>(50,109)</b>	37,961
Attributable to:		
Equity holders of the Company	(51,166)	29,362
Non-controlling interests	1,057	8,599
	<b>(50,109)</b>	37,961

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>Unaudited</b>	Audited
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>822,735</b>	915,068
Investment properties	<b>36,157</b>	41,615
Goodwill	<b>105,065</b>	119,848
Other intangible assets	<b>51,151</b>	63,094
Investments in associates	<b>167,874</b>	170,162
Financial assets at fair value through profit or loss	<b>40,212</b>	41,383
Financial assets at fair value through other comprehensive income	<b>8,125</b>	10,844
Prepayments, deposits and other receivables	<b>26,316</b>	24,146
Deferred tax assets	<b>19,890</b>	20,940
	<b>1,277,525</b>	1,407,100
<b>CURRENT ASSETS</b>		
Inventories	<b>353,706</b>	406,389
Trade receivables	<b>683,402</b>	723,961
Prepayments, deposits and other receivables	<b>137,510</b>	155,679
Tax recoverable	<b>30,368</b>	1,052
Financial assets at fair value through profit or loss	<b>50,859</b>	46,840
Derivative financial assets	<b>1,329</b>	–
Cash and cash equivalents	<b>656,581</b>	611,220
	<b>1,913,755</b>	1,945,141
Total non-current assets		
Total current assets		

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 September 2022 Unaudited <i>HK\$'000</i>	31 March 2022 Audited <i>HK\$'000</i>
	<i>Note</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	10	506,319	583,018
Interest-bearing bank borrowings		1,039,959	923,782
Lease liabilities		108,692	113,412
Tax payable		29,434	13,877
		1,684,404	1,634,089
<b>Total current liabilities</b>		<b>1,684,404</b>	1,634,089
<b>NET CURRENT ASSETS</b>		<b>229,351</b>	311,052
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,506,876</b>	1,718,152
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		-	126,481
Lease liabilities		164,260	164,804
Other payables and accruals		2,678	3,491
Defined benefit obligations		6,101	7,088
Deferred tax liabilities		38,234	45,599
		211,273	347,463
<b>Total non-current liabilities</b>		<b>211,273</b>	347,463
<b>Net assets</b>		<b>1,295,603</b>	1,370,689
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		38,425	38,425
Reserves		1,227,715	1,303,858
		1,266,140	1,342,283
<b>Non-controlling interests</b>		<b>29,463</b>	28,406
<b>Total equity</b>		<b>1,295,603</b>	1,370,689

# 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 2022.

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 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

## 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 2022

	Hong Kong Unaudited HK\$'000	Mainland China Unaudited HK\$'000	Japan Unaudited HK\$'000	Total Unaudited HK\$'000
<b>Segment revenue:</b>				
Sales to external customers*	928,500	420,386	763,723	2,112,609
Intersegment sales	21,071	113,921	41,196	176,188
	949,571	534,307	804,919	2,288,797
<i>Reconciliation:</i>				
Elimination of intersegment sales				(176,188)
Revenue				2,112,609
 <b>Segment results</b>	 59,329	 5,692	 1,681	 66,702
<i>Reconciliation:</i>				
Interest income				1,094
Dividend income and unallocated gains/(losses), net				1,189
Finance costs (other than interest on lease liabilities)				(8,637)
Share of profits and losses of associates				3,102
Corporate and other unallocated expenses				(16,858)
Profit before tax				46,592
 <b>Other segment information:</b>				
Write-down of slow-moving inventories	13	1,135	102	1,250
Impairment of trade receivables	72	-	-	72
Loss on disposal/write-off of items of property, plant and equipment	1,340	39	206	1,585
Depreciation and amortisation, except right-of-use assets	11,928	21,770	6,934	40,632
Depreciation of right-of-use assets	51,765	11,539	3,773	67,077
Refund of consumption tax	-	-	(11,108)	(11,108)
Professional fee incurred in relation to refund of consumption tax and income tax	-	-	4,336	4,336
	-	-	4,336	4,336



## 2. OPERATING SEGMENT INFORMATION (continued)

### Six months ended 30 September 2021

	<b>Hong Kong</b>	<b>Mainland</b>		
	<b>Unaudited</b>	<b>China</b>	<b>Japan</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment revenue:</b>				
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>
<b>Segment results</b>	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>
<b>Other segment information:</b>				
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	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	<u>53,632</u>	<u>12,943</u>	<u>5,346</u>	<u>71,921</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\$26,804,000 (2021: HK\$43,733,000) arising from Mainland China.

## 2. OPERATING SEGMENT INFORMATION (continued)

### As at 30 September 2022

	Hong Kong Unaudited <i>HK\$'000</i>	Mainland China Unaudited <i>HK\$'000</i>	Japan Unaudited <i>HK\$'000</i>	Total Unaudited <i>HK\$'000</i>
<b>Segment assets</b>	1,302,397	790,752	554,767	2,647,916
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(431,874)
Investments in associates				167,874
Corporate and other unallocated assets				807,364
				<hr/>
Total assets				<b><u>3,191,280</u></b>
<b>Segment liabilities</b>	564,315	307,711	347,898	1,219,924
<i>Reconciliation:</i>				
Elimination of intersegment payables				(431,874)
Corporate and other unallocated liabilities				1,107,627
				<hr/>
Total liabilities				<b><u>1,895,677</u></b>

### As at 31 March 2022

	Hong Kong Audited <i>HK\$'000</i>	Mainland China Audited <i>HK\$'000</i>	Japan Audited <i>HK\$'000</i>	Total Audited <i>HK\$'000</i>
<b>Segment assets</b>	1,300,289	890,697	670,873	2,861,859
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(412,059)
Investments in associates				170,162
Corporate and other unallocated assets				732,279
				<hr/>
Total assets				<b><u>3,352,241</u></b>
<b>Segment liabilities</b>	553,554	320,518	409,800	1,283,872
<i>Reconciliation:</i>				
Elimination of intersegment payables				(412,059)
Corporate and other unallocated liabilities				1,109,739
				<hr/>
Total liabilities				<b><u>1,981,552</u></b>

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

An analysis of revenue is as follows:

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers</b>		
(i) Disaggregated revenue information		
<i>Primary geographical markets:</i>		
Hong Kong	<b>928,500</b>	921,312
Mainland China	<b>420,386</b>	474,068
Japan*	<b>763,723</b>	958,459
	<b><u>2,112,609</u></b>	<b><u>2,353,839</u></b>
<i>Timing of revenue recognition:</i>		
At a point in time	<b><u>2,112,609</u></b>	<b><u>2,353,839</u></b>

\* Including revenue from contracts with customers of HK\$26,804,000 (2021: HK\$43,733,000) 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:

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of goods	<b><u>2,397</u></b>	<b><u>3,160</u></b>

### 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 2022 and 31 March 2022 are as follows:

	<b>As at 30 September 2022 Unaudited HK\$'000</b>	<b>As at 31 March 2022 Audited HK\$'000</b>
Amounts expected to be recognised as revenue:		
Within one year	<b><u>1,976</u></b>	<b><u>2,397</u></b>

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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>Other income</b>		
Bank interest income	<b>1,094</b>	387
Government subsidies*	<b>75</b>	5,450
Dividend income	<b>2,037</b>	1,220
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	<b>1,499</b>	1,505
Interest income	-	1,420
Provisional gain on bargain purchase	-	4,985
Refund of consumption tax	<b>11,108</b>	-
Others	<b>2,920</b>	4,199
	<b>18,733</b>	19,166
<b>Gains/(losses), net</b>		
Net fair value loss on financial assets at		
fair value through profit or loss	<b>(2,177)</b>	(1,430)
Net fair value changes of derivative financial instruments	<b>1,329</b>	47
	<b>(848)</b>	(1,383)
	<b>17,885</b>	17,783

\* Government subsidies included in “Other income” above were subsidies granted by the Hong Kong Government under the Anti-Epidemic Fund, but excluding grants from the Employee Support Scheme of HK\$20,782,000 (2021: Nil) which were included in “Cost of sales”, “Selling and distribution expenses” and “Administrative expenses” in the unaudited condensed consolidated statement of profit or loss, as detailed in note 5 in the unaudited condensed consolidated financial statements. As at the end of the reporting period, there were no unfulfilled conditions and contingencies relating to these subsidies.

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans	8,637	8,685
Interest on lease liabilities	2,648	3,741
	<u>11,285</u>	<u>12,426</u>

#### 5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	1,622,117	1,866,291
Government subsidies #	(20,857)	(5,450)
Depreciation of items of property, plant and equipment (excluding right-of-use assets)	38,434	38,938
Depreciation of right-of-use assets	67,077	71,921
Amortisation of other intangible assets	2,198	2,724
Loss on disposal/write-off of items of property, plant and equipment *	1,585	901
Impairment of trade receivables*	72	527
Impairment of assets held for sale*	-	1,504
	<u>1,700,626</u>	<u>1,979,426</u>

# Government subsidies were subsidies granted by the Hong Kong Government under the Anti-Epidemic Fund, including grants from the Employee Support Scheme of HK\$20,782,000 (2021: Nil) and other subsidies of HK\$75,000 (2021: HK\$5,450,000), 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 2022, government subsidies from the Employee Support Scheme of HK\$11,975,000 (2021: Nil), HK\$3,936,000 (2021: Nil) and HK\$4,871,000 (2021: Nil) were included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses", respectively, and other subsidies of HK\$75,000 (2021: HK\$5,450,000) were included in "Other income and gains/(losses), net", 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% (2021: 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	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	12,300	7,190
Current – Elsewhere		
Charge for the period	7,760	6,770
Under/(over)provision in prior years	(32,771)	22
Deferred	(1,370)	(1,399)
	<u>                    </u>	<u>                    </u>
Total tax charge/(credit) for the period	<u><b>(14,081)</b></u>	<u>12,583</u>

The share of tax attributable to associates amounting to HK\$429,000 (2021: HK\$50,000) 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	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim – HK3.0 cents (2021: HK3.0 cents) per ordinary share	<u><b>11,528</b></u>	<u>11,528</u>

## 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 2022 and 2021 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:

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<b><u>58,381</u></b>	<b><u>15,376</u></b>
	<b>Number of shares</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b><u>384,257,640</u></b>	<b><u>384,257,640</u></b>



## 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 2022 and 31 March 2022, based on the invoice date and net of provisions, is as follows:

	<b>30 September 2022 Unaudited HK\$'000</b>	31 March 2022 Audited HK\$'000
Within 1 month	<b>330,566</b>	356,815
1 to 2 months	<b>152,979</b>	152,090
2 to 3 months	<b>73,250</b>	76,868
Over 3 months	<b>126,607</b>	138,188
	<b><u>683,402</u></b>	<b><u>723,961</u></b>

Included in the trade receivables are amounts from subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$160,000 (31 March 2022: HK\$69,000), 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\$300,547,000 (31 March 2022: HK\$371,864,000). An ageing analysis of the trade payables as at 30 September 2022 and 31 March 2022 based on the invoice date, is as follows:

	<b>30 September 2022 Unaudited HK\$'000</b>	31 March 2022 Audited HK\$'000
Within 1 month	<b>229,551</b>	331,429
1 to 2 months	<b>57,678</b>	25,572
2 to 3 months	<b>9,514</b>	7,599
Over 3 months	<b>3,804</b>	7,264
	<b><u>300,547</u></b>	<b><u>371,864</u></b>

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

Included in the trade payables are amounts due to the Group's associates of HK\$43,923,000 (31 March 2022: HK\$42,537,000), and subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$1,064,000 (31 March 2022: HK\$945,000), 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.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK3.0 cents (2021: HK3.0 cents) in cash per ordinary share for the six months ended 30 September 2022, payable to shareholders whose names appear in the register of members of the Company at the close of business on Monday, 19 December 2022. The said dividend will be paid on Wednesday, 18 January 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 15 December 2022 to Monday, 19 December 2022, 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 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 December 2022.

## **BUSINESS REVIEW AND PROSPECTS**

### **RESULTS**

For the six-month period ended 30 September 2022, the Group's consolidated revenue was HK\$2,112,609,000 (2021: HK\$2,353,839,000). The profit for the year attributable to equity holders of the Company stood at HK\$58,381,000 (2021: HK\$15,376,000). Sales derived from the Hong Kong segment amounted to HK\$928,500,000 (2021: HK\$921,312,000), accounting for 44% of the Group's total sales. Sales in Mainland China amounted to HK\$420,386,000 (2021: HK\$474,068,000), accounting for 20% of the Group's total sales. In terms of Renminbi, sales in Mainland China was RMB360,228,000 (2021: RMB394,399,000). Sales in Japan amounted to HK\$763,723,000 (2021: HK\$958,459,000), accounting for 36% of the Group's total sales. In terms of Japanese yen, sales in Japan was JPY13,033 million (2021: JPY13,538 million). The decrease in the sales in terms of Hong Kong dollar in Mainland China and Japan during the period under review as compared with those in the corresponding period of last year was partly due to the relatively large depreciation of the exchange rates of Renminbi and Japanese yen against Hong Kong dollar.

### **BUSINESS REVIEW**

During the period under review, there was an increase in production, selling and administrative costs caused by the general inflation. However, the Group was benefited by the receipts of income tax and consumption tax refunds in the net sum of approximately HK\$39 million, after deducting the professional fees incurred, by Miyata Co. Ltd. ("Miyata"), a subsidiary of the Company in Japan, from its local authorities in respect of over-provisions of taxation in prior years. In addition, the depreciation in Japanese yen during the period under review had the direct effect of reducing the purchase cost of the Group's imported goods from Japan. On top of the above, the receipt of subsidies in the amount of approximately HK\$20,857,000 under the Hong Kong Government anti-pandemic support schemes (2021: approximately HK\$5,450,000) has also contributed to the increase of the Group's results.

The Group's acquisition of Miyata has further leveraged its synergies and laid a solid foundation for business expansion. In particular, a number of Japanese essential food products, such as Japanese rice, Japanese eggs and Japanese milk, were sourced via the network of Miyata. All these products have been well received by the market. In addition, the Group has developed a series of food products under the brand name "Miyata", which includes ice cream, puffed food, rice cracker, cookie, mochi, cake, konjac jelly, beverage and other types of snack and confectionery. This series of Miyata food products does not only enrich the Group's product range but also offer another source of long term business growth. During the period under review, the Group launched Miyata Ice Cream to Hong Kong market through its extensive sales network. It has become an instant hit with the result of gaining a larger market share in the ice cream sector of Hong Kong for the Group.

## **BUSINESS REVIEW** (continued)

### **Distribution Business**

Food distribution is one of the integral parts of the Group's business. The Group is always on the lookout for crave-satisfying food products around the world, such as from Japan, Korea, Thailand, Indonesia, Malaysia, Singapore, the United Kingdom, France, Germany, the Netherlands, the United States, mainland China and many other countries. The products it distributes include Japanese ice cream, snacks, sweets, milk powder, health food, sauce, ham and sausage, Japanese eggs, Japanese rice, Japanese plum liqueur and Japanese tofu. The Group's distribution network has become truly multifaceted and comprehensive, comprising department stores, supermarkets, wet markets, convenience stores, fast-food restaurants, wholesalers, retailers, Japanese snack stores, restaurants, bars, hotels and airlines. It also operates food specialty stores, such as "Okashi Land" Japanese snack stores, "Japan Ice-cream House" chain and "YOKU MOKU" cookies stores.

After developing a market for Japanese ice cream in Hong Kong and distributing the famous Japanese brand CHOYA plum liqueur in the city, the Group successfully launched Miyata Ice Cream during the period under review, as mentioned above. Riding on the extensive network of Miyata with respect to suppliers which offer many quality confectionery and snack items, the Group will continue to look for similarly well-known brands to introduce to consumers and source quality overseas products from mainland China, the United States, Malaysia and South Korea, among other places.

### **Manufacturing Business**

The Group takes great pride in its product quality, which it maintains through stringent quality control and advanced production monitoring systems. It has received numerous accreditations such as "HACCP", "ISO 9001", "ISO 22000" and "GMP", 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. These certificates are a testimony to the quality of the Group's food products and the standards it demands of itself.

## **BUSINESS REVIEW** (continued)

### **Retail and Catering Businesses**

The Group has innovative retail and catering businesses that are well established. Its Chinese and Japanese restaurants are popular in the Mainland and Hong Kong. These include the Hong Kong branch of “Sushiyoshi”, the main restaurant of which is a 2-star Michelin restaurant based in Osaka, and “Shiki • Etsu” located in Admiralty and Kowloon Bay. In China, the Group’s Panxi Restaurant and Japanese sushi restaurant “Sushi Oh” have been running successfully. Its “Okashi Land” Japanese snack store, “Japan Ice Cream House” chain and cookie store “YOKU MOKU” are equally popular, consistently meeting the popular demand for trendy Japanese delicacies.

### **BRAND DEVELOPMENT**

Over the past 50 years, the Group has developed as a household brand in Hong Kong, where it is firmly rooted. With the mission of satisfying the needs of customers of different age groups and markets, the Group has been expanding its business scope to cover food distribution, food production, retail, catering and distribution of products of own-brands. It keeps up with the times by regularly introducing new products while meticulously maintaining hygiene, safety and quality of its existing product line through a well-oiled quality control system.

The Group is actively expanding its market share in the Mainland and Japan, laying the foundation for long-term development. With the completion of the acquisition of Miyata, the Group has successfully created a unique food distribution platform covering mainland China, Hong Kong and Japan. This will not only create another growth segment for the Group, strengthen its sales capacity and enlarge its customer base, but also help to combine the expertise and strengths of both Miyata and the original Group to create cross-brand and sales synergies, including the introduction of Japanese top confectionery and food items for distribution in the markets of Hong Kong and mainland China. The Group can also leverage the strength of Miyata to enter the consumer market of Japan and expands its investment and distribution in the food distribution industry.

## **BUSINESS REVIEW (continued)**

### **CORPORATE SOCIAL RESPONSIBILITY**

In line with its motto of “Virtue is Joy, Joy is Sustainable”, the Group has been actively promoting and participating in social welfare activities in Hong Kong, and has won numerous awards and recognition for its efforts. For example, the Group was awarded the "9+2" - Most Valuable Brand Award in Guangdong, Hong Kong, Macau and the Greater Bay Area. Mindful of consumers’ demand for food safety, its manufacturing plants and restaurants have adopted high standards of health and safety precautions.

### **PROSPECTS AND GROWTH**

The Group has been demonstrating 50 years of success with 50 years of hard work. Despite global economic uncertainties, financial market volatility and geopolitical complexities, the Group remains cautiously optimistic about the future and will uphold its business development strategy of “Hong Kong-based, Mainland-oriented and globally focused”. The Group is confident that it will maintain its leading position in the Hong Kong food market and continue to seek changes while maintaining business stability by optimizing its food and beverage platform across the Mainland, Hong Kong, and Japan. Through Miyata, the Group will use Japanese quality food products to strengthen its base in Hong Kong and mainland China while at the same time promoting Four Seas to the consumer market of Japan.

#### **Hong Kong Business**

Recognizing the pursuit of food and innovation among Hong Kong consumers, the Group will continue to maintain its leadership position in the Hong Kong food market by expanding its network and introducing more products. In terms of network expansion, the Group will collaborate with different brands to further increase its sales channels, including department stores, large supermarkets and specialty stores. The Group’s acquisition of Miyata has created the desired synergy, with its quality food products well received by the market. The newly introduced product line of rice, eggs and milk from Japan have all derived good sales volume, creating new and stable sources of income. The Group will continue to expand its business in the same direction, using its deep market experience to seek out new cuisines to meet the demand of Hong Kong consumers.

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

### **Mainland China Business**

Despite the drop of sales in the Mainland market due to the impacts caused by the pandemic during the period under review, the Mainland market is still one of the Group's key business focuses in the long term. The Group will use its advantages to expand its presence in the market and to leverage the benefits arising from Guangdong-Hong Kong-Macao Greater Bay development plan. The population of the Greater Bay Area is over 80 million and its culinary culture, tastes and preferences are similar to those of Hong Kong. They have similar preference for Japanese food. The Japanese food market in Mainland is still in its initial stages of development, with plenty of room for growth. In addition to the traditional retail channels, the Group will promote international food e-commerce and import/export business in the Mainland, by going through e-commerce platforms such as Taobao, Tmall, Tmall International and Jingdong, as well as through the use of social media influencers. The Group will also adopt an aggressive marketing strategy to introduce Mainland food products to overseas consumers while using its plants in the Mainland to expand its own brands.

### **Japan Business**

With a population of 120 million, Japan has a huge snack market. The Group will leverage Miyata's strengths to develop the Japanese market by deploying more resources and introducing more Four Seas brand and Chinese specialties to the consumers. The Group's successful acquisition of Miyata will enable Four Seas to expand its presence in Japan. The company has a history of 90 years and is a leading snack and confectionery distributor in Japan. It has a strong sales and distribution network and a wide customer base with customers span from established nationwide supermarket chains and convenience stores (including but not limited to AEON, Daiso 100-yen shop, Muji), regional retailers, wholesalers and exporters/overseas customers. As the Japanese economy is recovering gradually in the post-pandemic era, there is much business opportunity for the business of Four Seas in Japan.

## **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 2022, the Group held cash and cash equivalents of HK\$656,581,000. As at 30 September 2022, the Group had banking facilities of HK\$2,713,884,000 of which 38% had been utilised. The Group had a gearing ratio of 82% as at 30 September 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.

## **STAFF EMPLOYMENT AND REMUNERATION POLICIES**

The total number of employees of the Group as at 30 September 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 six months ended 30 September 2022.



## **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 2022.

## **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 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 six months ended 30 September 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 reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2022 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](http://www.hkexnews.hk) and the Company's website at [www.fourseasgroup.com.hk](http://www.fourseasgroup.com.hk). The interim report of the Company for the six months ended 30 September 2022, 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. WU Wing Biu 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 November 2022