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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 2024**

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 2024, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2024	2023
	Notes	Unaudited HK\$'000	Unaudited HK\$'000
REVENUE	3	1,716,129	1,954,785
Cost of sales		<u>(1,302,630)</u>	<u>(1,494,985)</u>
Gross profit		413,499	459,800
Other income and gains, net	3	14,970	6,499
Selling and distribution expenses		(202,233)	(226,829)
Administrative expenses		(166,915)	(176,015)
Other operating expenses		(6,523)	(8,055)
Finance costs	4	(26,344)	(22,483)
Share of profits and losses of joint ventures		(505)	–
Share of profits and losses of associates		<u>3,732</u>	<u>5,110</u>
PROFIT BEFORE TAX	2 & 5	29,681	38,027
Income tax expense	6	<u>(11,407)</u>	<u>(10,021)</u>
PROFIT FOR THE PERIOD		<u>18,274</u>	<u>28,006</u>
Attributable to:			
Equity holders of the Company		20,462	30,269
Non-controlling interests		<u>(2,188)</u>	<u>(2,263)</u>
		<u>18,274</u>	<u>28,006</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	8	<u>HK5.3 cents</u>	<u>HK7.9 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	18,274	28,006
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	12,019	(58,984)
Share of other comprehensive income/(loss) of associates	8	(2,669)
<i>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>	12,027	(61,653)
<i>Other comprehensive income 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	560	2,811
– Income tax effect	(192)	(963)
<i>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>	368	1,848
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	12,395	(59,805)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	30,669	(31,799)
Attributable to:		
Equity holders of the Company	32,488	(28,740)
Non-controlling interests	(1,819)	(3,059)
	30,669	(31,799)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2024 Unaudited HK\$'000	31 March 2024 Audited HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		714,523	740,905
Investment properties		35,635	34,445
Goodwill		105,122	101,740
Other intangible assets		42,942	42,976
Investments in joint ventures		7,897	4,558
Investments in associates		184,995	181,046
Financial assets at fair value through profit or loss		22,264	22,361
Financial assets at fair value through other comprehensive income		34,433	16,515
Prepayments, deposits and other receivables		55,464	28,281
Tax recoverable		25,056	25,936
Deferred tax assets		10,573	9,413
Total non-current assets		1,238,904	1,208,176
CURRENT ASSETS			
Inventories		313,355	269,280
Trade receivables	9	586,877	625,047
Prepayments, deposits and other receivables		153,353	128,087
Tax recoverable		836	563
Financial assets at fair value through profit or loss		79,360	58,608
Cash and cash equivalents		569,875	625,940
		1,703,656	1,707,525
Non-current assets classified as held for sale		–	12,442
Total current assets		1,703,656	1,719,967
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	459,844	489,748
Interest-bearing bank borrowings		942,291	858,841
Lease liabilities		111,070	114,656
Tax payable		20,579	15,558
Total current liabilities		1,533,784	1,478,803
NET CURRENT ASSETS		169,872	241,164
TOTAL ASSETS LESS CURRENT LIABILITIES		1,408,776	1,449,340

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 September 2024	31 March 2024
	<i>Note</i>	Unaudited HK\$'000	Audited HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		33,111	40,384
Lease liabilities		102,439	140,455
Other payables and accruals		2,234	2,129
Defined benefit obligations		6,639	5,759
Deferred tax liabilities		10,491	10,861
		<hr/>	<hr/>
Total non-current liabilities		154,914	199,588
		<hr/>	<hr/>
Net assets		1,253,862	1,249,752
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	38,422	38,422
Reserves		1,192,625	1,185,196
		<hr/>	<hr/>
		1,231,047	1,223,618
Non-controlling interests		22,815	26,134
		<hr/>	<hr/>
Total equity		1,253,862	1,249,752
		<hr/> <hr/>	<hr/> <hr/>

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 D2 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 2024.

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 2024.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 April 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

1. ACCOUNTING POLICIES (continued)

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 Chinese Mainland 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 joint ventures and associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, investments in joint ventures and associates, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 September 2024

	Hong Kong Unaudited HK\$'000	Chinese Mainland Unaudited HK\$'000	Japan Unaudited HK\$'000	Total Unaudited HK\$'000
Segment revenue:				
Sales to external customers*	838,566	294,368	583,195	1,716,129
Intersegment sales	20,615	101,466	16,350	138,431
	859,181	395,834	599,545	1,854,560
<i>Reconciliation:</i>				
Elimination of intersegment sales				(138,431)
Revenue				1,716,129
Segment results	45,506	1,483	3,304	50,293
<i>Reconciliation:</i>				
Interest income				3,318
Dividend income and unallocated gains, net				7,354
Finance costs (other than interest on lease liabilities)				(20,919)
Share of profits and losses of joint ventures				(505)
Share of profits and losses of associates				3,732
Corporate and other unallocated expenses				(13,592)
Profit before tax				29,681
Other segment information:				
Write-down of slow-moving inventories	3	878	–	881
Impairment of trade receivables	72	–	6	78
Loss on disposal/write-off of items of property, plant and equipment	121	128	270	519
Depreciation and amortisation, except right-of-use assets	10,446	20,533	5,259	36,238
Depreciation of right-of-use assets	52,648	8,086	3,768	64,502

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 September 2023

	Hong Kong Unaudited HK\$'000	Chinese Mainland Unaudited HK\$'000	Japan Unaudited HK\$'000	Total Unaudited HK\$'000
Segment revenue:				
Sales to external customers*	914,183	356,972	683,630	1,954,785
Intersegment sales	<u>23,914</u>	<u>95,703</u>	<u>27,857</u>	<u>147,474</u>
	938,097	452,675	711,487	2,102,259
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(147,474)</u>
Revenue				<u><u>1,954,785</u></u>
Segment results	46,862	15,890	3,741	66,493
<i>Reconciliation:</i>				
Interest income				5,689
Dividend income and unallocated losses, net				(4,032)
Finance costs (other than interest on lease liabilities)				(19,152)
Share of profits and losses of associates				5,110
Corporate and other unallocated expenses				<u>(16,081)</u>
Profit before tax				<u><u>38,027</u></u>
Other segment information:				
Write-down of slow-moving inventories	20	1,251	–	1,271
Impairment of trade receivables	409	–	117	526
Loss on disposal/write-off of items of property, plant and equipment	365	397	2	764
Depreciation and amortisation, except right-of-use assets	11,197	21,389	6,114	38,700
Depreciation of right-of-use assets	<u>47,935</u>	<u>8,413</u>	<u>3,511</u>	<u>59,859</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\$28,072,000 (2023: HK\$42,715,000) arising from Chinese Mainland.

2. OPERATING SEGMENT INFORMATION (continued)

As at 30 September 2024

	Hong Kong Unaudited HK\$'000	Chinese Mainland Unaudited HK\$'000	Japan Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	1,211,734	719,874	463,181	2,394,789
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(387,518)
Investment in joint ventures				7,897
Investments in associates				184,995
Corporate and other unallocated assets				<u>742,397</u>
Total assets				<u><u>2,942,560</u></u>
Segment liabilities	508,310	278,586	282,848	1,069,744
<i>Reconciliation:</i>				
Elimination of intersegment payables				(387,518)
Corporate and other unallocated liabilities				<u>1,006,472</u>
Total liabilities				<u><u>1,688,698</u></u>

2. OPERATING SEGMENT INFORMATION (continued)

As at 31 March 2024

	Hong Kong Audited HK\$'000	Chinese Mainland Audited HK\$'000	Japan Audited HK\$'000	Total Audited HK\$'000
Segment assets	1,172,523	671,100	490,082	2,333,705
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(350,502)
Investment in joint ventures				4,558
Investments in associates				181,046
Corporate and other unallocated assets				<u>759,336</u>
Total assets				<u><u>2,928,143</u></u>
Segment liabilities	536,954	264,116	302,179	1,103,249
<i>Reconciliation:</i>				
Elimination of intersegment payables				(350,502)
Corporate and other unallocated liabilities				<u>925,644</u>
Total liabilities				<u><u>1,678,391</u></u>

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

		Six months ended 30 September	
		2024	2023
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue from contracts with customers			
(i)	Disaggregated revenue information		
	<i>Primary geographical markets:</i>		
	Hong Kong	838,566	914,183
	Chinese Mainland	294,368	356,972
	Japan*	583,195	683,630
		<u>1,716,129</u>	<u>1,954,785</u>
	<i>Timing of revenue recognition:</i>		
	At a point in time	<u>1,716,129</u>	<u>1,954,785</u>

* Including revenue from contracts with customers of HK\$28,072,000 (2023: HK\$42,715,000) arising from Chinese Mainland.

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

		Six months ended 30 September	
		2024	2023
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	Sale of goods	<u>2,118</u>	<u>2,090</u>

3. REVENUE, OTHER INCOME AND GAINS, 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 2024 and 31 March 2024 are as follows:

As at 30 September 2024 Unaudited HK\$'000	As at 31 March 2024 Audited HK\$'000
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Amounts expected to be recognised as revenue:

Within one year	<u>2,448</u>	<u>2,118</u>
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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, NET (continued)

An analysis of other income and gains, net is as follows:

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other income		
Bank interest income	3,318	4,199
Dividend income	627	615
Rental income from investment properties operating leases:		
Other lease payments, including fixed payments	1,554	1,365
Interest income	–	1,490
Others	2,744	3,477
	<hr/>	<hr/>
Total other income	8,243	11,146
	<hr/>	<hr/>
Gains/(losses), net		
Net fair value gains/(losses) on financial assets at fair value through profit or loss	6,727	(4,647)
	<hr/>	<hr/>
Total other income and gains, net	14,970	6,499
	<hr/> <hr/>	<hr/> <hr/>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans	20,919	19,152
Interest on lease liabilities	5,425	3,331
	<hr/>	<hr/>
	26,344	22,483
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	1,301,749	1,493,714
Depreciation of items of property, plant and equipment (excluding right-of-use assets)	34,314	36,615
Depreciation of right-of-use assets	64,502	59,859
Amortisation of other intangible assets	1,924	2,085
Loss on disposal/write-off of items of property, plant and equipment*	519	764
Impairment of trade receivables*	78	526
	<u>1,399,506</u>	<u>1,652,563</u>

* 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% (2023: 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	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	10,147	8,134
Current – Elsewhere		
Charge for the period	3,444	3,346
Underprovision in prior years	–	161
Deferred	(2,184)	(1,620)
	<u>11,407</u>	<u>10,021</u>
Total tax charge for the period	<u>11,407</u>	<u>10,021</u>

The share of tax attributable to joint ventures and associates amounting to Nil (2023: Nil) and HK\$557,000 (2023: HK\$335,000) respectively are included in "Share of profits and losses of joint ventures" and "Share of profits and losses of associates" in the unaudited condensed consolidated statement of profit or loss.

7. DIVIDEND

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim – HK3.0 cents (2023: HK3.0 cents) per ordinary share	<u>11,526</u>	<u>11,527</u>

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

The calculation of basic earnings per share amount 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.

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

	Six months ended 30 September	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>20,462</u>	<u>30,269</u>
	Number of shares	
	2024	2023
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>384,221,060</u>	<u>384,221,640</u>

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2024 and 2023.

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 2024 and 31 March 2024, based on the invoice date and net of provisions, is as follows:

	30 September 2024 Unaudited HK\$'000	31 March 2024 Audited HK\$'000
Within 1 month	301,306	381,903
1 to 2 months	123,756	89,312
2 to 3 months	65,363	66,949
Over 3 months	96,452	86,883
	586,877	625,047

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\$906,000 (31 March 2024: HK\$87,000), 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\$244,778,000 (31 March 2024: HK\$266,196,000). An ageing analysis of the trade payables as at 30 September 2024 and 31 March 2024 based on the invoice date, is as follows:

	30 September 2024 Unaudited HK\$'000	31 March 2024 Audited HK\$'000
Within 1 month	171,210	189,509
1 to 2 months	56,051	57,589
2 to 3 months	12,107	8,329
Over 3 months	5,410	10,769
	244,778	266,196

Included in the trade payables are amounts due to the Group's associates of HK\$40,216,000 (31 March 2024: HK\$38,762,000), and subsidiaries of Hong Kong Food Investment Holdings Limited, a substantial shareholder of the Company, of HK\$1,584,000 (31 March 2024: HK\$426,000), which are normally settled on 30-day to 60-day terms.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. Other payables are non-interest-bearing and have an average term of three months.

11. SHARE CAPITAL

During the six months ended 30 September 2024, the Company repurchased 34,000 of its ordinary shares on the Stock of Exchange of Hong Kong Limited at a total consideration of HK\$85,000. As of 30 September 2024, these shares were yet to be cancelled but would be cancelled subsequently.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2023: HK3.0 cents) in cash per ordinary share for the six months ended 30 September 2024, payable to shareholders whose names appear in the register of members of the Company at the close of business on Thursday, 19 December 2024. The said dividend will be paid on Friday, 17 January 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 December 2024 to Thursday, 19 December 2024, 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 2024, 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 Monday, 16 December 2024.

BUSINESS REVIEW AND PROSPECTS

RESULTS

For the six-month period ended 30 September 2024, the Group's consolidated revenue was HK\$1,716,129,000 (2023: HK\$1,954,785,000). The profit for the period attributable to equity holders of the Company stood at HK\$20,462,000 (2023: HK\$30,269,000). Sales derived from the Hong Kong segment amounted to HK\$838,566,000 (2023: HK\$914,183,000), accounting for 49% of the Group's total sales. Sales in Chinese Mainland amounted to HK\$294,368,000 (2023: HK\$356,972,000), accounting for 17% of the Group's total sales. In term of Renminbi, sales in Chinese Mainland was RMB271,532,000 (2023: RMB324,815,000). Sales in Japan amounted to HK\$583,195,000 (2023: HK\$683,630,000), accounting for 34% of the Group's total sales. In terms of Japanese yen, sales in Japan came to JPY11,368 million (2023: JPY12,296 million). During the period under review, sales revenue of the Group decreased compared to the corresponding period of the previous year, primarily due to the ongoing weakening of the retail market and overall consumer market. Nevertheless, the depreciation of the Renminbi and Japanese yen against the Hong Kong dollar during the period under review had a positive impact on the Group's performance.

BUSINESS REVIEW

During the period under review, geopolitical tensions continued and the global economic environment remained turbulent, preventing the overall consumer market from fully regaining momentum. Leveraging its extensive business layout, diverse product offerings, solid customer base, and forward-looking strategic deployment, the Group, however, managed to hold its ground in a challenging market, outperforming the industry average and preparing for future developments. Additionally, the Group further enhanced synergies with its businesses in Chinese Mainland and Japan, exploring opportunities to achieve optimal operational and sales potential. The decrease in the Group's revenue during the period under review led to a decline in gross profit, but this was partially mitigated by the Group's strategic initiatives. These initiatives included optimizing pricing and promotional efforts to attract cost-conscious consumers, introducing new product variations to address evolving consumer preferences, and reducing costs without compromising on quality. Furthermore, during the period under review, the depreciation of the renminbi and Japanese yen resulted in lower procurement costs for goods imported from Chinese Mainland and Japan, positively impacting the Group's profits. Although the Group's profit during the period was lower than that of the corresponding period of the previous year, the decrease was less than the general decline observed in the industry.

Distribution Business

Food distribution is one of the core businesses of the Group. The Group has established close ties with renowned food manufacturers worldwide, including those from Japan, South Korea, Thailand, Indonesia, Malaysia, Singapore, France, Germany, the Netherlands, the United States, and Chinese Mainland. The Group carefully selects high-quality food items globally, offering a rich and diverse range of products that includes milk powder, cookies, cakes, candies, chocolates, chips, snacks, instant noodles, alcoholic and non-alcoholic beverages, soy sauce, ham, and sausages, all of which are well loved by consumers. To meet changing consumer tastes and preferences, the Group actively seeks suppliers and expands product sources, seizing opportunities in quality food agency businesses. The Group has introduced a series of new products, including Japanese eggs, unique Japanese beverages, Japanese-style cakes, fresh Japanese milk, "Imuraya" brand tofu, and high-quality Japanese rice. Leveraging its comprehensive and extensive distribution network, the Group covers various retail channels, including department stores, supermarkets, convenience stores, fast-food chains, wholesalers, retailers, restaurants, bars, hotels, airlines, and proprietary retail outlets such as "Okashi Land", a Japanese snack specialty store, "YOKU MOKU", a cookie specialty store, and "Japanese Ice Cream House".

Manufacturing Business

The Group abides by the principle of “Eating Safely, Eating Happily”, continuously strengthening scientific management and food safety controls. It rigorously ensures food quality, guaranteeing that the Group’s products meet international standards and have received multiple authoritative international certifications, including “HACCP”, “ISO9001”, “ISO22000”, and “GMP” systems. Additionally, the Group has held the “Hong Kong Q-Mark Scheme for over 30 years”, and the “HKQAA – Cooking Oil Registration Scheme Companion”, awarded by the Hong Kong Quality Assurance Agency, a testament to the reliability of the Group’s food safety standards.

The Four Seas Group operates 17 food processing factories in Hong Kong and Chinese Mainland. It implements a one-stop production and sales strategy to flexibly respond to diverse market conditions, solidifying the Group’s leadership position in the industry. For instance, the Group’s Calbee Four Seas Company Limited has two major food production bases in Tseung Kwan O Industrial Estate in Hong Kong and Shantou City in Chinese Mainland. This company specializes in the research and production of snacks such as chips, prawn crackers, and corn sticks, which are popular not only in the Hong Kong market but also among consumers in the Mainland market.

Retail and Catering Businesses

The retail and catering businesses are important aspects of the Group’s diversified development. The Group continuously pursues innovation, leading food trends and stays in tune with the times. During the period under review, the Group’s dining businesses in Hong Kong and Chinese Mainland garnered a strong reputation, featuring popular establishments such as “Shiki • Etsu” Japanese cuisine, “Kung Tak Lam” Shanghai vegetarian cuisine, “Sushiyoshi”, as well as the “Panxi Restaurant” set in a picturesque garden in Guangzhou, and the “Sushi Oh” conveyor belt sushi restaurants in Guangzhou and Zhuhai, all highly praised by diners.

In the retail market, the Group’s carefully crafted “Okashi Land” Japanese snack specialty stores “Japanese Ice Cream House” feature unique ice cream and snacks, and “YOKU MOKU” cookie stores have successfully attracted a loyal customer base in Hong Kong, becoming culinary destinations. The Group’s “Miyata Shoten” serves as a flagship outlet for authentic Japanese imported foods, highly sought after by local consumers. Since its opening, the Group has introduced the most authentic Japanese delicacies, offering everything from premium Wagyu beef and rich plum wine to Japanese candies and snacks, each product meticulously selected for their quality. In May this year, the Group opened a new flagship “Four Seas Okashi Land” store covering 6,000 square feet next to the Sungang Railway Station in Luohu District, Shenzhen. It sells high-quality food items curated from the Group’s distribution network as well as the ones it manufactures itself.

BRAND DEVELOPMENT

The Four Seas Group has a long and storied history, having been established in 1971 and celebrating over half a century of remarkable achievements. In 1993, the Group successfully listed on the stock exchange, marking a new phase in its development. Initially focused on the distribution and wholesale business, the Group gradually expanded into the retail sector and then ventured into food manufacturing and the catering industry. Today, the Four Seas Group is a well-known and respected food enterprise with a business footprint that spans Japan, South Korea, and Southeast Asia, and extending to developed economies, such as the United States, the United Kingdom, France, and Canada, reaching customers globally.

As one of the largest food enterprises in Hong Kong, the Group adheres to the philosophy of continuous innovation and progress, with the motto of “Eating Safely, Eating Happily”. It maintains stringent standards for food hygiene, safety, and quality. To achieve this, the Group has established a comprehensive set of monitoring standards to ensure that every product meets the stipulated safety, quality, and taste requirements, earning the trust and affection of consumers.

Following the acquisition of Miyata Co., Ltd. (“Miyata”), the Group successfully upgraded and transformed its operations, creating a food sales platform that covers Chinese Mainland, Hong Kong, and Japan. This not only opened new avenues for growth and enhanced its sales capabilities, but also expanded its customer base. By integrating the strengths and expertise of Miyata with the Group’s other businesses, it achieved synergy in cross-brand sales, benefiting both.

The Group has consistently played the role of a “snack diplomat”, actively exploring markets in Chinese Mainland and overseas, and promoting the “interconnectivity” of culinary cultures. By introducing local delicacies from various regions, the Group is gradually realizing its ultimate goal of cross-border snack consumption, allowing consumers worldwide to easily enjoy delicious dishes from around the globe. This not only highlights the Group’s international vision and ambitious outlook but also fosters the exchange and integration of global culinary cultures.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to corporate social responsibility and takes it upon itself to promote social development, adhering to the principle of “Taking from Society, Giving Back to Society”. The Group actively engages in community service, volunteer work, and youth development programs. It pursues sustainable development across its business operations, tirelessly supporting various organizations and fulfilling its social responsibility commitments under the motto of “Four Seas with Love”.

In addition, the Group's various businesses have received strong recognition within the industry. Hong Kong Ham Holdings Limited, a subsidiary of the group, was awarded "Hong Kong Top Brand Mark (Top Mark)" by Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong; Calbee Four Seas Company Limited has been a signatory of the Labour Department's "Good Employer Charter" for three consecutive terms (2018, 2020, and 2024) and authorised to use the "Supportive Family-friendly Good Employer" logo; the "Four Seas" brand was awarded "Top Favourite Brands – Chips & Snacks" by Wellcome Supermarket; "Okashi Land" has been assessed as meeting the criteria of the "Quality Tourism Services Scheme" established by the Hong Kong Tourism Board; and "Sushiyoshi" was awarded "Time Out Recommended 2024" by "Time Out".

PROSPECTS AND GROWTH

The Group maintains a positive outlook about its future development. Despite the complex and uncertain global political and economic landscape, the Group is optimistic about its prospects, guided by the development direction of "Rooted in Hong Kong, Deeply Engaged in Chinese Mainland, and Looking Towards the Global Market." Hong Kong serves as the anchor for the Group, Chinese Mainland as the base for products, and Japan as the hub for brands. Focusing on these three key markets, the Group will continuously explore and innovate to bring consumers an endless array of new flavors, styles, and experiences. From uniquely crafted classic snacks to cutting-edge food production technologies, the Group is committed to showcasing the unique charm and competitive advantages of its products.

Business in Hong Kong

The Group's development is set to reach new milestones. The newly acquired headquarter located in Kwun Tong will officially open at the end of this year and will be named "Four Seas Group Centre", symbolizing the Group's enduring prosperity and vibrant growth and marking a new peak in business development. In addition, the Group is actively expanding its retail sales channels, with plans to open a brand-new flagship store, "Four Seas Food Experience Centre", covering over 20,000 square feet, in Causeway Bay by the end of the year. This flagship store, the largest retail outlet for the Group in Hong Kong, will showcase delicacies from around the world and feature interactive areas to create an unprecedented culinary experience for customers. The flagship store will also serve as a diverse food platform, inviting Japanese snack brands looking to enter the Hong Kong and Mainland markets to establish a presence, assisting in product promotion and gauging market response.

The Group will remain true to its original mission, ceaselessly driving diversification and breakthroughs in Hong Kong's food market. It will continue to select high-quality products from Chinese Mainland, Japan, the United States, Malaysia, and South Korea, seeking out more well-known brands; producing safe, healthy, and delicious foods; and offering a variety of gourmet dishes to supply Hong Kong with innovative flavors, satisfying consumer palates and expanding brand influence.

Business in Chinese Mainland

The Mainland market is vast, full of opportunities, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, which has a total population of 86 million and a buzzing economy, with food culture and tastes similar to those of Hong Kong. The Group will continuously optimize its domestic development, making strategic preparations to capture broader and promising market prospects. The Group will persistently introduce high-quality gourmet foods from around the world into the Mainland market while also taking Mainland products to overseas markets. In addition to traditional retail channels, the Group will actively promote international food e-commerce and import-export businesses in the Mainland. Utilizing e-commerce platforms such as Taobao, Tmall, Tmall Global, and JD.com, along with the current popular influencer marketing strategies, the Group aims to introduce new products into the Mainland market and open up more business opportunities.

Business in Japan

Japan is known as a snack kingdom, and the Japanese market is crucial for the Group's business development. After fully acquiring Miyata, the Group successfully introduced Miyata's food products into the Hong Kong and Mainland markets, and leveraged Miyata's platform to enter the Japanese market with products from Chinese Mainland. At the same time, the Group is actively seeking new collaboration opportunities and providing a platform for Japanese suppliers to promote their products. This strategy has already yielded significant gains, becoming one of the key drivers of the Group's business growth.

Looking ahead, the Group will continue to leverage its abundant resources and distribution network advantages, playing the role of a "snack diplomat" to foster interconnectivity between Hong Kong, Chinese Mainland, and Japan, thereby creating greater synergies. The Group will also enhance the integration of its Japanese operations and improve operational efficiency to ensure steady business development.

MATERIAL ACQUISITION

On 31 August 2024, two indirect wholly-owned subsidiaries of the Company, Ascent Land Limited and Vast Assets Limited have entered into the preliminary agreements for sales and purchase with Uni Trinity Development Limited, an independent third-party for acquiring (i) the entire 31st floor of the building at 41 King Yip Street, Kwun Tong, Kowloon, Hong Kong, and 5 car parking spaces on Basement 1 floor and 2 car parking spaces on Basement 2 floor, certain signage space and the naming rights of the building (the "First Property"); and (ii) Office 2 on the 21st floor of the building at 41 King Yip Street, Kwun Tong, Kowloon, Hong Kong, (the "Second Property"), respectively. The aggregate purchase price of the First Property and the Second Property was HK\$205.4 million.

Details of the acquisition of these properties were set out in the Company's announcement dated 31 August 2024.

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 2024, the Group held cash and cash equivalents of HK\$569,875,000. As at 30 September 2024, the Group had banking facilities of HK\$2,683,758,000 of which 36% had been utilised. The Group had a gearing ratio of 79% as at 30 September 2024. This is expressed as the total bank borrowings to equity attributable to equity holders of the Company. Bank borrowings of the Group, denominated in Hong Kong dollars, Japanese yen and Renminbi, mainly comprise trust receipt loans and bank loans (the “Interest-Bearing Bank Borrowings”) at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable on demand or within one year and the Interest-Bearing Bank Borrowings which are classified as non-current liabilities are repayable in the second to third year.

STAFF EMPLOYMENT AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2024 was approximately 2,700. 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

During the period under reviewed, the Company repurchased certain of its shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), details of which are set out as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
September 2024	<u>34,000</u>	2.50	2.50	<u>85</u>

As of the date of this announcement, such repurchased shares were yet to be cancelled but would be cancelled subsequently.

The repurchase of the Company’s shares during the period was effected by the directors, pursuant to the mandates granted by shareholders at the annual general meetings held on 29 August 2024, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the six months ended 30 September 2024 (including sale of treasury shares (as defined under the Listing Rules)). As at 30 September 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

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 C1 to the Listing Rules for the six months ended 30 September 2024.

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 C3 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 2024.

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 2024.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Mr. CHEUNG Wing Choi (Chairman 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 2024 and discussed with the management on the accounting principles and practices adopted by the Group, risk management, internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.fourseasgroup.com.hk. The interim report of the Company for the six months ended 30 September 2024, containing information required by the Listing Rules, will be published on the above websites (and will be despatched to shareholders of the Company upon request of the shareholders).

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. TSE Siu Wan as executive directors, Mr. CHAN Yuk Sang, Peter, Mr. Tsunao KIJIMA and Mr. CHEUNG Wing Choi 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 2024