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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 2014

INTERIM RESULTS

The board of directors (the “Board”) of Four Seas Mercantile Holdings Limited (the “Company”) is pleased to announce 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 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2014	2013
		Unaudited	Unaudited
<i>Notes</i>		<i>HK\$ '000</i>	<i>HK\$ '000</i>
REVENUE	3	1,414,036	1,433,599
Cost of sales		<u>(921,291)</u>	<u>(964,339)</u>
Gross profit		492,745	469,260
Other income and gains	3	24,962	17,546
Selling and distribution expenses		(277,563)	(266,022)
Administrative expenses		(144,922)	(134,077)
Other operating expenses		(3,994)	(6,314)
Finance costs	4	(7,272)	(7,584)
Share of profits and losses of associates		<u>13,058</u>	<u>12,778</u>
PROFIT BEFORE TAX	2 & 5	97,014	85,587
Income tax expense	6	<u>(25,296)</u>	<u>(17,480)</u>
PROFIT FOR THE PERIOD		<u>71,718</u>	<u>68,107</u>
Attributable to:			
Equity holders of the Company		73,121	71,115
Non-controlling interests		<u>(1,403)</u>	<u>(3,008)</u>
		<u>71,718</u>	<u>68,107</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	8	<u>HK18.9 cents</u>	<u>HK18.3 cents</u>

Details of the dividend proposed for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	71,718	68,107
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Changes in fair value	9,420	2,817
Reclassification adjustments for gains/losses included in the condensed consolidated statement of profit or loss		
- gain on disposal	(26,251)	(6,336)
- impairment losses	-	418
Income tax effect	-	-
	(16,831)	(3,101)
Share of other comprehensive income of associates	861	802
Exchange differences on translation of foreign operations	9,388	9,347
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(6,582)	7,048
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	65,136	75,155
Attributable to:		
Equity holders of the Company	66,240	78,166
Non-controlling interests	(1,104)	(3,011)
	65,136	75,155

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2014	31 March 2014
	<i>Notes</i>	Unaudited	Audited
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		563,027	563,252
Investment property		20,240	19,958
Prepaid land lease payments		109,524	109,645
Goodwill		37,230	36,739
Investments in associates		178,136	164,391
Available-for-sale investments		3,840	47,639
Deposits		34,257	21,424
Deferred tax assets		1,402	1,530
		<hr/>	<hr/>
Total non-current assets		947,656	964,578
		<hr/>	<hr/>
CURRENT ASSETS			
Due from associates		28	23
Inventories		289,504	270,093
Trade receivables	9	511,682	494,499
Prepayments, deposits and other receivables		108,379	105,455
Tax recoverable		264	145
Financial assets at fair value through profit or loss		26,471	9,334
Cash and cash equivalents		714,462	745,823
		<hr/>	<hr/>
Total current assets		1,650,790	1,625,372
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	365,142	357,810
Interest-bearing bank borrowings		699,243	773,045
Tax payable		35,073	21,031
		<hr/>	<hr/>
Total current liabilities		1,099,458	1,151,886
		<hr/>	<hr/>
NET CURRENT ASSETS		551,332	473,486
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,498,988	1,438,064
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 September	31 March
	2014	2014
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	96,294	60,284
Deferred tax liabilities	20,042	19,095
	<hr/>	<hr/>
Total non-current liabilities	116,336	79,379
	<hr/>	<hr/>
Net assets	1,382,652	1,358,685
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to equity holders		
of the Company		
Issued capital	38,443	38,790
Reserves	1,304,205	1,266,555
Proposed dividend	11,528	23,275
	<hr/>	<hr/>
	1,354,176	1,328,620
Non-controlling interests	28,476	30,065
	<hr/>	<hr/>
Total equity	1,382,652	1,358,685
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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 (“Stock Exchange”) 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 2014.

In the current period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments HKAS 32 Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no material financial effect on the unaudited condensed consolidated interim financial statements of the Group.

The Group has not adopted the new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

- (i) the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products, noodles and the retailing of snack foods, confectionery and beverages, and the operations of restaurants; and
- (ii) the Mainland China segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, poultry products, noodles and ham and ham-related products, and the operations of restaurants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, dividend income and unallocated gains, impairment of available-for-sale investments, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude available-for-sale investments, deferred tax assets, tax recoverable, investments in associates, financial assets at fair value through profit or loss 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)

	Hong Kong		Mainland China		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Segment revenue:						
Sales to external customers	939,747	951,808	474,289	481,791	1,414,036	1,433,599
Intersegment sales	1,137	2,082	109,136	121,210	110,273	123,292
	940,884	953,890	583,425	603,001	1,524,309	1,556,891
<i>Reconciliation:</i>						
Elimination of intersegment sales					(110,273)	(123,292)
Revenue					1,414,036	1,433,599
Segment results	84,431	72,816	(6,516)	2,200	77,915	75,016
<i>Reconciliation:</i>						
Interest income					855	772
Dividend income and unallocated gains					21,808	14,357
Impairment of available-for-sale investments					-	(418)
Finance costs					(7,272)	(7,584)
Share of profits and losses of associates					13,058	12,778
Corporate and other unallocated expenses					(9,350)	(9,334)
Profit before tax					97,014	85,587

	Hong Kong		Mainland China		Total	
	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
	Segment assets	1,043,201	1,048,142	929,885	853,184	1,973,086
<i>Reconciliation:</i>						
Elimination of intersegment receivables					(299,215)	(280,238)
Investments in associates					178,136	164,391
Corporate and other unallocated assets					746,439	804,471
Total assets					2,598,446	2,589,950
Segment liabilities	303,349	290,320	361,008	347,728	664,357	638,048
<i>Reconciliation:</i>						
Elimination of intersegment payables					(299,215)	(280,238)
Corporate and other unallocated liabilities					850,652	873,455
Total liabilities					1,215,794	1,231,265

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Revenue	1,414,036	1,433,599
Other income		
Bank interest income	855	772
Dividend income from listed available-for-sale investments	-	1,951
Rental income	623	582
Others	1,676	1,835
	<u>3,154</u>	<u>5,140</u>
Gains		
Investment gains	55	317
Fair value gains/(losses), net:		
Available-for-sale investments (transfer from equity on disposal)	26,251	6,336
Financial assets at fair value through profit or loss	(4,498)	5,753
	<u>21,808</u>	<u>12,406</u>
	<u>24,962</u>	<u>17,546</u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans wholly repayable within five years	<u>7,272</u>	<u>7,584</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	921,291	964,339
Depreciation	28,844	26,718
Amortisation of prepaid land lease payments	1,649	1,817
Impairment of available-for-sale investments	-	418
	<u>951,784</u>	<u>1,003,292</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	20,329	14,745
Current – Elsewhere		
Charge for the period	4,082	1,430
Deferred	885	1,305
	<u>25,296</u>	<u>17,480</u>

The share of tax attributable to associates amounting to HK\$3,051,000 (2013: HK\$3,467,000) 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	
2014	2013
Unaudited	Unaudited
<i>HK\$'000</i>	<i>HK\$'000</i>

Interim – HK3.0 cents (2013: HK2.0 cents)
per ordinary share

11,528	7,758
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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 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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

Six months ended 30 September	
2014	2013
Unaudited	Unaudited
<i>HK\$'000</i>	<i>HK\$'000</i>

Earnings

Profit attributable to ordinary equity holders of the Company,
used in the basic and diluted earnings per share calculation

73,121	71,115
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Number of shares	
2014	2013
Unaudited	Unaudited

Shares

Weighted average number of ordinary shares in issue
during the period used in the basic and diluted earnings per
share calculation

386,833,257	387,909,640
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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 aged analysis of trade receivables as at 30 September 2014 and 31 March 2014, based on the invoice date and net of provisions, is as follows:

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
Within 1 month	225,112	213,314
1 to 2 months	103,487	86,030
2 to 3 months	79,767	85,510
Over 3 months	<u>103,316</u>	<u>109,645</u>
	<u>511,682</u>	<u>494,499</u>

Included in trade receivables are amounts due from the Group's associates of HK\$1,907,000 (31 March 2014: HK\$1,320,000) and a subsidiary of Hong Kong Food Investment Holdings Limited ("HKFH"), a substantial shareholder of the Company, of HK\$454,000 (31 March 2014: HK\$254,000), which are repayable on similar credit terms to those offered to the major customers of the Group. The trade receivables due from the subsidiary of HKFH are in accordance with the master supply agreement entered into between HKFH and the Company, details of which are included in the Company's announcement dated 6 August 2012.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK\$214,837,000 (31 March 2014: HK\$201,579,000). An aged analysis of the trade payables as at 30 September 2014 and 31 March 2014 based on the invoice date, is as follows:

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
Within 1 month	160,989	148,367
1 to 2 months	37,551	31,581
2 to 3 months	7,273	8,965
Over 3 months	<u>9,024</u>	<u>12,666</u>
	<u>214,837</u>	<u>201,579</u>

Included in the trade payables are trade payables of HK\$60,486,000 (31 March 2014: HK\$50,509,000) due to the Group's associates, 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 (2013: HK2.0 cents) per ordinary share for the six months ended 30 September 2014, payable to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 19 December 2014. The said dividend will be paid on or about Thursday, 15 January 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 December 2014 to Friday, 19 December 2014, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 September 2014, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 December 2014.

BUSINESS REVIEW AND PROSPECTS

RESULTS

The Group's consolidated turnover remained stable at HK\$1,414,036,000 (2013: HK\$1,433,599,000) for the six months ended 30 September 2014. Profit attributable to equity holders of the Company was increased by about two million Hong Kong dollars at HK\$73,121,000 (2013: HK\$71,115,000). The Japanese yen stayed at a relatively low level during the period under review and that had a positive impact on the Group's earnings.

Despite the global financial uncertainty and slowdown of economic growth of Hong Kong and Mainland China, as well as declining consumer confidence, the sales of the Group in Hong Kong and Mainland China remained solid, backed by its strong brand, extensive distribution network, stringent quality and cost control. The sales derived from Hong Kong segment stood at HK\$939,747,000 (2013: HK\$951,808,000), accounting for approximately 66% of the Group's total sales. The sales of Mainland China amounted to HK\$474,289,000 (2013: HK\$481,791,000), corresponding to 34% of the total sales.

BUSINESS REVIEW

Distribution Business

Food distribution continues to be the highlight of the Group's business. With sound distribution network and superior sales team, the Group is committed to establish and maintain its strong relationship with internationally renowned snack brands in order to introduce the finest food products to Hong Kong. Currently, the Group distributes famous food brands from countries like Japan, China, Korea, Malaysia, Singapore and Europe. To satisfy the needs of different customer segments, the Group provides a wide variety of food products, including milk powder, snacks, health food, drinks, sauces, seasonings, ham and sausages, etc.

BUSINESS REVIEW AND PROSPECTS (continued)

Manufacturing Business

The Group is dedicated to manufacture quality and safe food products that meet international standards and with great variety. It has received numerous accreditations from food safety control international institutions including “GMP”, “HACCP”, “ISO 9001”, “ISO 22000” and “Hong Kong Q-Mark Product Scheme Certification”. Moreover, the Group has 20 self-owned manufacturing plants in Hong Kong and Mainland China, which exercise high standard of quality controls and sophisticated management. Under its one-stop business platform, the Group produces diversified food products that are well received by the markets.

Retail and Catering Businesses

Covering Hong Kong, Macau and Guangdong Province, the Group’s retailing and catering businesses are welcome by consumers. Located not only in all districts of Hong Kong but also in Macau, the Group’s stores provide snack lovers with different flavors and delicious choices. Its Chinese and Japanese-style restaurants, including Japanese-style “Shiki•Etsu”, Shanghai vegetarian-featured “Kung Tak Lam Shanghai Vegetarian Cuisine”, Japanese-style dumpling fast food shop “Osaka Ohsho”, and together with the Guangzhou’s “Panxi Restaurant” and Japanese sushi restaurant chain “Sushi Oh” located in Mainland China are all well known and well received by diners. These award-winning brands are also popular among gourmets.

BRAND DEVELOPMENT

Founded in 1971, with unique management vision and insight, the Group has become a typical Hong Kong enterprise and a genuine Hong Kong brand deeply rooted in the heart of local people and households. Starting from food distribution and after 43 years of prosperous development, the Group has successfully expanded its business to food manufacturing and retailing. Now it is fostering the development of its own brand.

After years of vigorous development, the Group has reached a new milestone. It is now actively exploring the Mainland China market through its brand essence, superior quality and customer confidence. The Group will continue playing the role of retailing diplomacy to bridge the Mainland China and the world, introducing high-quality food products to Mainland China in order to provide more choices and enjoyments to the mainland consumers. In parallel, the Group will bring mainland food products to overseas markets, helping them to expand internationally.

CORPORATE SOCIAL RESPONSIBILITY

Training of talents is the cornerstone of social prosperity. “Taken from Society and Give Back to Society” is always the belief of the Group. It therefore actively participates in community services and promotes a harmonized city through enlivening the Lion Rock Spirit, the ever-lasting spirit of Hong Kong.

BUSINESS REVIEW AND PROSPECTS (continued)

During the period under review, the Group's community performance was widely acclaimed and recognized. It received "Special Achievement Award" of the "Asia Pacific Entrepreneurship Awards" Hong Kong from Enterprise Asia, "Corporate Achievement Award" of the first "Outstanding Import & Export Enterprise Awards", "Manpower Developer 2013-2015", "Hong Kong Outstanding Enterprises 2014" and "Outstanding Corporate Image Award 2014". Besides, the Group's distribution and manufacturing businesses also received numerous awards. "Four Seas Premium Blend Coffee" achieved "2013 7-Eleven Top Brands Campaign Award". "Four Seas Seaweed" was awarded "Most Popular Snack Series" of "Health & Beauty Awards", "Snacks of Favourite Brand Award" and "Kid's Favourite Brand Award" of the "Outstanding Category Performance Awards". Also, Kung Tak Lam Shanghai Vegetarian Cuisine received "Best Vegetarian Restaurant" of the "Best-Ever Dining Awards 2014".

PROSPECTS AND GROWTH

The Group has development potential and growth prospect with determination to further strengthen its cooperation and relationship with customers and suppliers, as well as bringing international quality food to consumers. It will also continue to expand market share in Hong Kong, promote its "Four Seas" brand and build a snack kingdom in Mainland China.

Hong Kong Business

It is the Group's objective to actively promote diversified snack products and introduce high-quality choices around the world to Hong Kong consumers and let them enjoy world-class snacks anytime and anywhere. Following its grand opening at the IFC mall in Central last year, "YOKU MOKU" has received encouraging responses. Since then, this popular Japanese cookie brand has established new stores in the Hong Kong Island, Kowloon and the New Territories as well as Macau. The Group will keep exploring different types of snack products, bringing better quality of enjoyments to Hong Kong consumers. It will also continue to expand local market share and broaden retail network, enabling its products to be more accessible to different segments of consumers.

Mainland China Business

In future, the Group will further develop the mainland snack market that contains 1.3 billion people. Being a genuine Hong Kong brand, a leader of Hong Kong snack industry and a symbol of trust, the Group is able to fulfill the increasing needs and requirements of Mainland China for food quality and safety. This year, the Group has successfully obtained the distribution right of "HARIBO", a famous candy brand in Germany, in the Mainland China market and is now introducing this brand through various channels to the mainland consumers. Besides, as a starting point to develop business in the country, the Group has penetrated the mainland milk powder market through the expansion of its Snow Brand milk powder in Guangdong Province, which has a population of over 100 million people. Making use of the province as a foothold, the Group will expand its business gradually to other provinces through its brand and products. It is hoped that market share in Mainland China will gradually increase and thus achieve better results in future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2014, the Group held cash and cash equivalents of HK\$714,462,000. As at 30 September 2014, the Group had banking facilities of HK\$2,454,370,000 of which 32% had been utilised. The Group had a gearing ratio of 59% as at 30 September 2014. 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, Renminbi and United States dollars, 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 in non-current liabilities are repayable in the second to third years. As at 30 September 2014, the Group had no significant contingent liabilities.

STAFF EMPLOYMENT

The total number of employees of the Group as at 30 September 2014 was approximately 4,100. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, the Company repurchased certain of its shares on the Stock Exchange, details of which are summarised as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
July 2014	1,644,000	5.02	4.65	8,051
August 2014	1,040,000	4.77	4.65	4,901
September 2014	968,000	4.86	4.60	4,618
	<u>3,652,000</u>			<u>17,570</u>

Except for 180,000 shares bought back but not yet cancelled during the period ended 30 September 2014, all the repurchased shares were cancelled by the Company. The 180,000 repurchased shares were cancelled subsequent to the period end date.

The issued share capital of the Company was reduced by the nominal value of these cancelled shares. The premium paid on the repurchase was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred from retained profits to the capital redemption reserve. The consideration paid on the repurchase of 180,000 shares not yet cancelled as at 30 September 2014 was debited to the capital redemption reserve.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY (continued)

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 23 August 2013 and 28 August 2014 respectively, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, 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 2014.

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 2014, 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.

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 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS (continued)

The Company has also established the Code for Securities Transactions by the 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 2014.

UPDATE OF DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The details of change in the Company’s directorship since the date of the 2014 Annual Report are set out below:

- (1) Mr. Yip Wai Keung retired as an executive director and ceased to be a member of the executive committee of the Company on 28 August 2014. Following Mr. Yip’s retirement, he has been appointed as an adviser for the businesses of the Group in Mainland China with effect from 28 August 2014.
- (2) Mr. Wu Wing Biu has been appointed as a member of the executive committee of the Company on 28 August 2014.

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 2014 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company’s 2014 interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.fourseasgroup.com.hk. The interim report of the Company for the six months ended 30 September 2014, 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 of Directors of the Company would like to express its sincere appreciation to the shareholders, business partners and staff for their continued 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. MAN Wing Cheung, Ellis, Mr. WU Wing Biu and Mr. NAM Chi Ming, Gibson as executive directors, Ms. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Tsunao KIJIMA as independent non-executive directors.

On behalf of the Board
Four Seas Mercantile Holdings Limited
TAI Tak Fung, Stephen, *GBS, SBS, JP*
Chairman

Hong Kong, 28 November 2014

** For identification purpose only*