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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)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 30% INTERESTS IN MIYATA CO., LTD.

THE ACQUISITION

On 6 October 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor under which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares for a consideration of JPY1,000 (equivalent to approximately HK\$70).

The Sale Shares represent 30% of the issued share capital of the Target Company. The Target Company is a 70% owned subsidiary of the Company and is principally engaged in the distribution of snack food and confectionery in Japan.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Share Purchase Agreement are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Vendor is a substantial shareholder of the Target Company and is hence a connected person at the subsidiary level of the Company. The Acquisition therefore also constitutes a connected transaction for the Company. As the Vendor is not interested in any shares of the Company and the transaction was entered under normal commercial terms or better, the Acquisition is subject to the reporting and announcement requirements and exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

* *For identification purpose only*

THE ACQUISITION

On 6 October 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor in relation to the purchase of the Sale Shares by the Purchaser. The salient terms of the Share Purchase Agreement are set out below:

Subject matter

The Vendor agreed to sell the Sale Shares to the Purchaser. The Sale Shares represent 30% of the issued share capital of the Target Company.

Consideration

The consideration for the purchase of the Sale Shares is a nominal value of JPY1,000 (equivalent to approximately HK\$70) which was determined after arm's length negotiations between the parties with reference to the consolidated net liabilities of the Target Group. Further information on the financial position of the Target Group is set out below.

The consideration will be payable by the Purchaser at completion and will be satisfied by the internal resources of the Group.

Closing

The closing of the Share Purchase Agreement shall take place one business day after the entering into of the Share Purchase Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Japan and is 70% owned by the Purchaser. The Sale Shares represent the remaining equity not already owned by the Company. Following completion of the Share Purchase Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Target Group is principally engaged in the distribution of snack food and confectionery in Japan.

Under the applicable laws and regulations of Japan, there is no statutory requirement for the Target Company to prepare audited financial statements. The unaudited consolidated net liabilities of the Target Group was approximately JPY2,533,000,000 (equivalent to approximately HK\$178,488,000) as at 31 March 2021, which included shareholder's loans due to the Group with amount of JPY1,700,000,000 (equivalent to approximately HK\$119,791,000). The consolidated financial results, which are unaudited unless otherwise specified, of the Target Group for the two years ended 30 September 2019 and 2020, and the six months ended 31 March 2021, are as follows:

	For the year ended 30 September		For the six months ended 31 March
	2019[^]#	2020[#]	2021
	<i>JPY 'million</i>	<i>JPY 'million</i>	<i>JPY 'million</i>
Net profit/(loss) before tax	(2,236)	43	141
Net profit/(loss) after tax	(2,032)	(43)	89

[^] The financial results for the year ended 30 September, 2019 was included in the circular of the Company published on 20 January 2021 for the acquisition of a controlling stake in the Target Group.

[#] The Target Company was merged with its then holding company, Miyata Holding Co., Ltd., on 24 November 2020 with the Target Company as the surviving company. The consolidated financial results for the years ended 30 September 2019 and 2020 are the consolidated financial results of Miyata Holding Co., Ltd. which represent the consolidated financial results of the Target Group during these two years.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the distribution and manufacturing of snacks, confectionery, beverages, frozen food products, noodles, ham and ham-related products, the operation of restaurants and investment holding.

The Company, through an indirect wholly-owned subsidiary, acquired a 15% equity in the Target Group in November 2019, and a further 55% equity in April 2020. Thereby, the Target Company has become a 70% owned subsidiary of the Company as a result of the two purchases. Further information on these previous acquisitions of the Target Group is set out in the circular of the Company dated 20 January 2021. The Target Group is a renowned snacks and confectionery distributor in Japan in which the Group acquired a controlling interest in 2020. Through the Acquisition, the Company will gain complete control of the Target Group and direct its development as the Company sees fit.

The Directors are pleased to see that the business of the Target Group has been improving since the merger with the Group. Despite the interruption to normal trade and retail business in general in Japan (the principal place of operation of the Target Group) as caused by the various lock-down, travelling and transportation restrictions measures implemented in Japan, the operation and business of the Target Group has been resilient under the Target Group's new management. The Company will continue with its strong support and leadership to the Target Group. The Directors are confident that new business opportunities and synergies brought about by the merger of the Target Group into the Group with the existing Chinese mainland and Hong Kong operations of the Group will escalate when international trade is "back to normal" after the Covid-19 epidemic is more settled. The Directors consider that it is an appropriate time to obtain full ownership of the Target Group.

The Directors consider that the terms of the Share Purchase Agreement were concluded after arm's length negotiations and on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Share Purchase Agreement are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Vendor is a substantial shareholder of the Target Company and is hence a connected person at the subsidiary level of the Company. The Acquisition therefore also constitutes a connected transaction for the Company. As the Vendor is not interested in any shares of the Company and the transaction was entered under normal commercial terms or better, the Acquisition is subject to the reporting and announcement requirements and exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Share Purchase Agreement;
“Board”	the board of directors of the Company;
“Company”	Four Seas Mercantile Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JPY”	Japanese Yen, the lawful currency of Japan;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Four Seas (Japan) Holdings Company Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company;
“Sale Shares”	540,029 ordinary shares of the Target Company, representing 30% of the issued share capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Share Purchase Agreement”	the share purchase agreement dated 6 October 2021 between the Vendor and the Purchaser in relation to the acquisition of the Sale Shares by the Purchaser;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Miyata Co., Ltd., a company incorporated in Japan;
“Target Group”	the Target Company and its subsidiaries;
“Vendor”	Mr. Osamu Miyata; and
“%”	per cent.

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

Hong Kong, 6 October 2021

As at the date of this announcement, the executive directors of the Company are Mr. TAI Tak Fung, Stephen, Ms. WU Mei Yung, Quinly, Mr. TAI Chun Kit, Mr. MAN Wing Cheung, Ellis and Mr. WU Wing Biu and the independent non-executive directors of the Company are Ms. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Tsunao KIJIMA.

For illustration purpose only, JPY has been translated to HK\$ in this announcement at the exchange rate of JPY1.00 = HK\$0.070465