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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 TRANSACTION DISPOSAL OF PROPERTY

On 20 March 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Property for a consideration of HK\$368,000,000.

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

The Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement for the sale of the Property.

The Agreement

Date: 20 March 2017

Parties: (a) **the Vendor:** Four Seas Mercantile Limited, an indirect wholly-owned subsidiary of the Company

(b) **the Purchaser:** Well Harbour (H.K.) Limited, an investment holding company

** For identification purpose only*

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter: The Vendor agreed to sell, and the Purchaser agreed to purchase, the Property.

Consideration: The selling price of the Property is HK\$368,000,000.

The Property

The Property is the parcel of land situate at Sai Kung, New Territories and registered in the Hong Kong Land Registry as Lot No. 1104 in Demarcation District 215, and the buildings and constructions thereon with the address of No. 1, Hong Ting Road, Sai Kung, Hong Kong. The Property is a building with four floors and has a total gross floor area of approximately 9,344 square meters.

The Property, being the principal place of business of the Company in Hong Kong, is currently being used by the Group as its office and warehouse.

The Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the annual rental yield for the leasing of the Property.

The Consideration will be payable as follows:

- (a) a deposit of HK\$36,800,000 has been paid by the Purchaser to the Vendor upon the signing of the Agreement; and
- (b) the balance payment of the Consideration in the sum of HK\$331,200,000 will be paid by the Purchaser to the Vendor upon completion of the Disposal, which will take place on or before the 60th day from the signing of the Agreement, i.e. on or before 19 May 2017.

Conditions Precedent

Completion of the Disposal is conditional upon the fulfillment by the Group of the following conditions within 50 days from the date of the Agreement:

- (a) all necessary statutory governmental and regulatory obligations in Hong Kong having been complied with;
- (b) all necessary regulatory, governmental and third party approval, consents and/or waivers in relation to the implementation of any terms or conditions regarding the sale and purchase under the Agreement having been obtained; and

- (c) if required, approval by the shareholders of the Company in respect of the transactions contemplated under the Agreement having been obtained, and the requirements under Chapter 14 of the Listing Rules having been fulfilled.

If any of the Conditions have not been fulfilled within 50 days from the date of the Agreement, either the Purchaser or the Vendor may postpone the date for the fulfillment of Conditions to a date falling not more than 30 Business Days thereafter. If the Conditions still have not been fulfilled after such postponement, the Purchaser shall have an option to postpone the date for fulfillment of the Conditions for another 60 Business Days thereafter. If the Conditions still have not been fulfilled by then, the Agreement shall thereupon become null and void and all deposits paid by the Purchaser shall be returned to the Purchaser and none of the parties shall have any claim against the other save in respect of any antecedent breaches of the terms of the Agreement.

Completion

Subject to the fulfillment of the Conditions within 50 days from the date of the Agreement, Completion shall take place on or before the 60th day from the date of the Agreement. Otherwise, Completion shall take place on such other date as may be agreed by the parties.

LEASE

Upon completion of the Disposal, the Vendor and the Purchaser will enter into a tenancy agreement, whereby the Purchaser will lease the Property back to the Group for the Group's continuous use as its office and warehouse for a term of one year commencing on the date of completion of the Disposal. The monthly rent payable by the Vendor will be HK\$780,000 during the term of the tenancy agreement.

A deposit of HK\$780,000 (equivalent to one month's rent) will be payable by the Vendor to the Purchaser upon the signing of the tenancy agreement.

REASON FOR THE DISPOSAL

The Property has been used by the Group as its office and warehouse. As the Disposal provides a good opportunity for the Company to realise the market value of the Property with a considerable gain, the Directors are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, as the Vendor will be able to lease back the Property for its continuous use, the Directors are of the view that the Disposal will not have any adverse effect on the Group's operations. The Group will search and arrange for alternative premises in Hong Kong to house its office and warehouse during the period of leasing back of the Property.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

Subject to final audit, the Group is expected to realise a total gain on disposal of approximately HK\$320 million (the “Total Disposal Gain”), representing the difference between the Consideration and the carrying amount of the Property as at 28 February 2017 together with the associated estimated direct costs in the amount of approximately HK\$2.5 million.

In accordance with the requirements of the relevant accounting principles relating to sale and leaseback arrangement, the gain on disposal of the Property to be recognised immediately in the consolidated statement of profit or loss of the Group will be equal to the difference between the fair value of the Property and its carrying amount together with the associated direct costs. Under the circumstance that the Consideration is higher than the fair value of the Property, the portion of the gain on the disposal of the Property representing the difference between the Consideration and the fair value will have to be deferred and amortised throughout the lease term under the leaseback arrangement. As such, the gain on disposal of the Property to be recognised immediately in the consolidated statement of profit or loss upon completion of the Disposal will depend on the fair value amount of the Property and may be different from the amount for the Total Disposal Gain.

The Company currently intends to apply the proceeds from the Disposal as general working capital of the Group and the Directors may consider declaring a special dividend to the Shareholders of the Company. The Directors will take into account the business, financial and cashflow position of the Group at that point in time before any special dividend is proposed and declared. Further announcement would be made by the Company in relation to the special dividend, if any, as and when appropriate.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in investment holding, manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, ham and ham-related products, and the operations of restaurants.

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding, trading of snack foods, confectionery, beverages, frozen food products, noodles, ham and ham-related products.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Purchaser is an investment holding company.

GENERAL

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 20 March 2017 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Property
“Board”	the board of directors of the Company
“Business Day”	a weekday on which banks in Hong Kong are generally open for business other than Saturdays, Sundays and General Holidays as specified in the General Holidays Ordinance, Chapter 149 of the Laws of Hong Kong
“Company”	Four Seas Mercantile Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Conditions”	conditions precedent to the Completion pursuant to the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the amount of HK\$368,000,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Property”	the parcel of land situate at Sai Kung, New Territories and registered in the Hong Kong Land Registry as Lot No. 1104 in Demarcation District 215, and the buildings and constructions thereon
“Purchaser”	Well Harbour (H.K.) Limited, a company incorporated in Hong Kong
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Four Seas Mercantile Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company

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

Hong Kong, 20 March 2017

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. MAN Wing Cheung, Ellis, Mr. WU Wing Biu and Mr. NAM Chi Ming, Gibson and the independent non-executive directors of the Company are Ms. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Tsunao KIJIMA.