



# FOUR SEAS MERCANTILE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

## CONNECTED TRANSACTION

### SUMMARY

On 16 April 2002, Four Seas China, a wholly-owned subsidiary of the Company, has entered into the Share Transfer Agreement with Yantang, pursuant to which Four Seas China has agreed to acquire 49% of the entire equity interest in Fourseas-Yantang. Upon Completion, the Company will be interested in the entire equity interest in Fourseas-Yantang. The aggregate consideration of the Acquisition is RMB2,695,000 (equivalent to approximately HK\$2,542,453) and will be satisfied in cash.

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement was negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved. The Directors (including the independent non-executive Directors) further consider that the terms of the Share Transfer Agreement are fair and reasonable so far as the Shareholders are concerned and the Acquisition is in the interest of the Company and the Shareholders as a whole.

As Yantang is a substantial shareholder of a subsidiary of the Company, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the Acquisition falls within the de minimis amount, the Company is required to disclose the details of the Acquisition by way of press announcement under the Listing Rules. Pursuant to Rule 14.25(1) of the Listing Rules, details of the Share Transfer Agreement will be included in the next annual report of the Company in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

### THE SHARE TRANSFER AGREEMENT

#### Date

16 April 2002

#### Parties

Vendor: Yantang

Purchaser: Four Seas China, a wholly-owned subsidiary of the Company

#### Asset to be acquired

As at the date of this announcement, the Company indirectly holds 51% of the entire equity interest of Fourseas-Yantang since its establishment on 4 October 1995. Pursuant to the Share Transfer Agreement, Yantang has agreed to sell to Four Seas China its entire equity interest in Fourseas-Yantang, representing 49% of the entire equity interest in Fourseas-Yantang.

#### Consideration

The total cash consideration payable by Four Seas China is RMB2,695,000 (equivalent to approximately HK\$2,542,453), which was arrived at after arm's length negotiations among the parties thereto and has been determined with reference to the valuation of Fourseas-Yantang agreed by the parties of RMB5,500,000 (equivalent to approximately HK\$5,188,680).

The consideration in respect of the Acquisition shall be settled by internal resources of the Company and is payable by Four Seas China as follows:

- RMB2,156,000 (equivalent to approximately HK\$2,033,962) to be paid within 7 days upon execution of the Share Transfer Agreement; and
- RMB539,000 (equivalent to approximately HK\$508,491) to be paid within 7 days upon receipt by Four Seas China the requisite governmental approvals under the PRC laws in respect of the share transfer and the change of shareholders pursuant to the Share Transfer Agreement.

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement was negotiated on an arm's length basis and was agreed on normal commercial terms between the parties. The Directors (including the independent non-executive Directors) further consider that the terms of the Share Transfer Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

#### Condition

The Share Transfer Agreement is conditional upon the requisite governmental approvals under the PRC laws in respect of the share transfer and the change of shareholders pursuant to the Share Transfer Agreement being obtained. No deadline has been imposed in respect of the governmental approvals under the PRC laws under the Share Transfer Agreement.

#### General

Upon completion, the Company will be interested in the entire equity interest in Fourseas-Yantang.

Currently, the board of directors of Fourseas-Yantang comprises of four directors, two of which have been nominated by Four Seas China and the other two have been nominated by Yantang. Upon completion of the Acquisition, the two directors nominated by Yantang shall resign and two new directors nominated by Four Seas China shall be appointed to the board of Fourseas-Yantang.

#### REASON FOR THE ACQUISITION

The Group is principally engaged in the distribution and manufacture of different types of food including snacks, confectionaries, biscuits, chocolates, candies, beverages, ice cream, instant noodles, ham and sausages.

Fourseas-Yantang was established in the PRC on 4 October 1995 and is engaged in the sale of ice cream in the PRC. The audited net loss before and after taxation and extraordinary items attributable to Fourseas-Yantang for the year ended 31 December 2000 and 2001 were respectively approximately RMB875,937 (equivalent to approximately HK\$826,356) and RMB106,932 (equivalent to approximately HK\$100,880).

As Fourseas-Yantang possesses a licence to distribute many products including ice-cream, frozen products, candies, biscuits, cakes, beverages and milk powder in the PRC, the Board believes that the Acquisition represents a good opportunity to further increase the Group's sales capacity in the PRC, as the Group as a distributor of wide range of food products may capitalise on the capability of Fourseas-Yantang to distribute these products in the PRC. In addition, the Group may also benefit from Fourseas-Yantang's strong distribution network which has been established over the years. The Board further considers that the full ownership of Fourseas-Yantang will give full flexibility to the Group to determine its future development plan.

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#### DEFINITION

"Acquisition"	the acquisition of Yantang's entire equity interest in Fourseas-Yantang by Four Seas China pursuant to the terms of the Share Transfer Agreement
"Board"	board of Directors
"Company"	Four Seas Mercantile Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Directors"	directors of the Company
"Four Seas China"	Four Seas China Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Fourseas-Yantang"	廣東四洲燕塘冷凍食品有限公司 (Guangdong Fourseas-Yantang Frozen Food Products Co., Ltd.), a Sino-foreign equity joint venture enterprise established in the PRC and a subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Share Transfer Agreement"	the agreement dated 16 April 2002 entered into between Four Seas China and Yantang in respect of the Acquisition
"Shareholders"	holders of the shares in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Yantang"	廣東省燕塘企業總公司 (Guangdong Yantang Enterprises Corporation), an enterprise established in the PRC
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Reminbi, the lawful currency of the PRC

By Order of the Board of  
**Four Seas Mercantile Holdings Limited**  
**LEUNG Tin Chi, Wallace**  
Company Secretary

Hong Kong, 16 April 2002

Translation of Reminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.06.