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## **FAR EAST CONSORTIUM INTERNATIONAL LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

*Website: <http://www.fecil.com.hk>*

**(Stock Code: 35)**

### **CONNECTED TRANSACTION**

#### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CATHAY MOTION PICTURE STUDIOS LIMITED**

The Board is pleased to announce that on 13 July 2012, FECL, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which FECL has conditionally agreed to acquire and the Vendor has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to FECL at an aggregate Consideration of HK\$8,500,000.

Given that the family interests of Tan Sri Dato' David Chiu, an executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of the Vendor, the Vendor is an associate of Tan Sri Dato' David Chiu and accordingly a connected person of the Company, the Acquisition constitutes a connected transaction for Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 13 July 2012, FECL, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which FECL has conditionally agreed to acquire and the Vendor has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to FECL at an aggregate Consideration of HK\$8,500,000.

The principal terms of the Acquisition Agreement are as follows:

### **Date**

13 July 2012

### **Parties**

Purchaser: FECL

Vendor: Far East Holdings International Limited, a connected person of the Company

### **Asset to be acquired**

Pursuant to the Acquisition Agreement, FECL has conditionally agreed to acquire and the Vendor has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to FECL.

### **Consideration**

The aggregate Consideration shall be HK\$8,500,000, which consists of HK\$1 being the Sale Shares Consideration and HK\$8,499,999 being the Debt Consideration.

The Consideration was determined after arm's length negotiations between the parties to the Acquisition Agreement by reference to: (i) the net liabilities position of Cathay Motion of approximately HK\$874,667 as at 31 December 2011; (ii) the market value of the Hong Kong Property of approximately HK\$8,500,000 as at 31 December 2011; and (iii) the amount owing by Cathay Motion to the Vendor of approximately HK\$9,339,430 as at 31 December 2011. The Consideration shall be payable upon Completion in cash.

Having considered the factors described in the paragraph headed "Reasons for the Acquisition", the Directors are of the view that the terms of the Acquisition Agreement and the amount of the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

Completion shall be conditional upon, among others, the fulfillment or waiver (as the case may be) of the following major conditions:

- (a) the compliance by the Company of all applicable requirements of the Listing Rules in relation to the Acquisition Agreement and the transactions contemplated thereunder;
- (b) all licenses, permissions, authorizations, certificates, regulatory approvals and consents in relation to the Acquisition contemplated therein under Listing Rules or any applicable laws, statutes, regulations and ordinances have been obtained by the parties to the Acquisition Agreement hereto; and
- (c) the representation, warranties and undertakings given by the Vendor as set out in the Acquisition Agreement remain true and accurate in material aspects as of the date of signing of the Acquisition Agreement and on the date of Completion.

If any of the conditions precedent has not been fulfilled (or waived) by the Long Stop Date, the Acquisition Agreement shall automatically be terminated and shall cease to have any further force and effect.

## **Completion**

Completion shall take place on the date which is the fifth business day immediately following the day on which all the conditions precedent being fulfilled or waived (as the case may be) or such other date as the parties to the Acquisition Agreement may agree in writing on which the Completion shall occur.

Completion of the acquisition of the Sale Shares and the assignment of Debt shall take place simultaneously.

## **INFORMATION ON CATHAY MOTION**

Cathay Motion is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement. Its only asset of significance is its interest in the Hong Kong Property. The Hong Kong Property comprises a plot of agricultural land which is the remaining portion of Lot No. 445 in Demarcation District No.360 and a 13.075% interest in Tsuen Wan Town Lot No. 389, Chuen Lung, Tsuen Wan, New Territories.

Set out below is the key financial information of Cathay Motion based on its audited financial statements for the two years ended 31 December 2010 and 2011 and its unaudited management accounts for the six months ended 30 June 2012:

	<b>For the year ended 31 December 2010 (Audited) HK\$</b>	<b>For the year ended 31 December 2011 (Audited) HK\$</b>	<b>For the six months ended 30 June 2012 (Unaudited) HK\$</b>
Loss/(profit) before tax	13,533	20,398	(12,961)
Loss/(profit) after tax	13,533	20,398	(12,961)
	<b>As at 31 December 2010 (Audited) HK\$</b>	<b>As at 31 December 2011 (Audited) HK\$</b>	<b>As at 30 June 2012 (Unaudited) HK\$</b>
Net liabilities	2,954,053	874,667	861,706

Based on the audited financial statement for the year ended 31 December 2011 and unaudited management account for the six months ended 30 June 2012 of Cathay Motion, Cathay Motion is indebted to the Vendor in the amounts of HK\$9,339,430 and HK\$9,351,306 respectively.

Carrying value of the Hong Kong Property was HK\$8,492,600 according to the audited financial statements of Cathay Motion for the year ended 31 December 2011, and its market value as at 31 December 2011 was HK\$8,500,000 according to a valuation report dated 30 March 2012 prepared by an independent property valuer.

#### **INFORMATION OF THE COMPANY AND FECL**

The Company is an investment holding company. The Group is principally engaged in (i) property development (ii) hotel investment and operation (iii) car park investment and management and property investment.

FECL is a wholly-owned subsidiary of the Company and an investment holding company.

#### **INFORMATION ABOUT THE VENDOR**

The principal business activities of the Vendor and its subsidiaries are securities investment, manufacturing and sale of garments, provision of aviation maintenance services and property investment.

## **REASONS FOR THE ACQUISITION**

The Board considers that the Acquisition is conducted in the ordinary and normal course of business of the Group. The Hong Kong Property comprises a plot of agricultural land located in Chuen Lung, Tsuen Wan of New Territories in Hong Kong and a 13.075% interest in Tsuen Wan Town Lot No. 389 (the “Land”), Chuen Lung, Tsuen Wan, New Territories. The Company is the beneficial owner of the remaining 86.925% interest in the Land. The Company expects to develop the Land into serviced apartments for long term investment purpose which are in-line with one of the principal activities of the Company. The Acquisition will enable the Company to unify the ownership of the Land for future development and will simplify the development process and allow the Company to benefit fully from the development.

## **LISTING RULES IMPLICATIONS**

Given that the family interests of Tan Sri Dato’ David Chiu, an executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of the Vendor, the Vendor is an associate of Tan Sri Dato’ David Chiu and accordingly a connected person of the Company, the Acquisition constitutes a connected transaction for Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempt from independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Tan Sri Dato’ David Chiu, Mr. Chiu Tat Shing Dennis and Mr. Chiu Tat Jung Daniel are considered to be interested in the Acquisition Agreement and the transactions contemplated thereunder and accordingly have abstained from voting on the board resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder.

## **DEFINITION**

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Acquisition”	the acquisition of the Sale Shares and the assignment of Debt by the Vendor to FECL pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 13 July 2012 entered into between FECL and the Vendor in relation to the Acquisition
“Board”	the board of Directors

“business day(s)”	a day (other than a Saturday, a Sunday or public holidays) on which banks are generally open for business in Hong Kong
“Cathay Motion”	Cathay Motion Picture Studios Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (Stock Code: 35)
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	being HK\$8,500,000, being the total of the Sale Shares Consideration and the Debt Consideration
“Debt”	HK\$9,351,306 being the amount due to the Vendor by Cathay Motion, which shall consist of the principal sum and interest accrued, if any
“Debt Consideration”	the consideration for the assignment of Debt
“Director(s)”	the director(s) of the Company
“FECL”	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Property”	comprising a plot of agricultural land which is the remaining portion of Lot No. 445 in Demarcation District No.360 and a 13.075% interest in Tsuen Wan Town Lot No. 389, Chuen Lung, Tsuen Wan, New Territories

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2012
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Sale Shares”	30,000 ordinary shares of HK\$100 each in the share capital of Cathay Motion, representing the entire issued share capital of Cathay Motion
“Sale Shares Consideration”	the consideration for the Sale Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 36)
“%”	per cent

By Order of the Board  
**Far East Consortium International Limited**  
**CHEUNG Wai Hung Boswell**  
*Chief Financial Officer and Company Secretary*

Hong Kong, 13 July 2012

*As at the date of this announcement, the Board comprises three executive Directors, namely Tan Sri Dato’ David CHIU, Mr. Dennis CHIU and Mr. Craig Grenfell WILLIAMS; one non-executive Director, namely Mr. Daniel Tat Jung CHIU; and three independent non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM.*