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FAR EAST CONSORTIUM INTERNATIONAL LIMITED

遠東發展有限公司*

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

DISCLOSEABLE TRANSACTION INVOLVING SALE OF SALE SHARE AND LOAN

THE SALE

The Board wishes to announce that on 3 March 2017 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser, an independent third party, the Company and GWTH, whereby the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share and the Loan for the aggregate consideration of HK\$450,000,000 subject to Adjustments.

LISTING RULES IMPLICATIONS

As the Vendor is a wholly owned subsidiary of the Company and one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale are greater than 5% but less than 25%, the Sale constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 12 January 2017 in relation to the proposed Sale.

On 3 March 2017 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser, the Company and GWTH, whereby the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Sale Share and the Loan for the aggregate consideration of HK\$450,000,000 subject to Adjustments. Moreover, on Completion, the Manager will enter into the Hotel Management Agreement with DAGL, pursuant to which the Manager shall provide hotel management services in relation to the management and operation of the Hotel.

* *For identification purposes only*

Summarised below are the principal terms of the Sale and Purchase Agreement and the Hotel Management Agreement.

THE SALE AND PURCHASE AGREEMENT

Date

3 March 2017

Parties

Vendor: Dorsett Hospitality International Limited, a wholly owned subsidiary of the Company

Purchaser: Golden Wheel Jasper Company Limited, an independent third party of the Company and/or its connected persons

Vendor's Guarantor: the Company

Purchaser's Guarantor: GWTH

Assets to be sold

The Sale Share and the Loan.

Consideration

The aggregate consideration for the purchase of the Sale Share and the Loan shall be the Consideration payable by the Purchaser to the Vendor in the following manner:

- (a) the Deposit was paid upon signing of the Sale and Purchase Agreement; and
- (b) the Balance of Consideration shall be paid upon Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser.

Completion

Completion shall take place at or before 3:30 p.m. on the Completion Date, subject to the satisfaction of the condition referred to in the Sale and Purchase Agreement.

Condition Precedent to Completion

Completion is conditional upon approval having been obtained from the shareholders of GWTH, being the holding company of the Purchaser, for the entering into the Sale and Purchase Agreement and the transactions contemplated thereunder (the "**EGM Approval**") on or before 21 April 2017, provided that the Purchaser shall deliver to the Vendor on or before

14 March 2017 an undertaking (in the form to be agreed by the Vendor) by Golden Wheel Realty Company Limited (“**GWRCCL**”), being the controlling shareholder (as defined in the Listing Rules) of GWTH, under which GWRCCL undertakes to the Vendor that it will exercise all its voting rights attached to all shares it holds in GWTH in favour of the resolution(s) to be proposed at the extraordinary general meeting of GWTH to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (the “**Undertaking**”). If the Purchaser shall fail to deliver the Undertaking to the Vendor as aforesaid and notwithstanding anything contained in the Sale and Purchase Agreement, the Purchaser shall be deemed to be in breach of the Sale and Purchase Agreement, which shall, at the discretion of the Vendor, be terminated by written notice by the Vendor whereupon the Deposit paid shall be forfeited by the Vendor absolutely and the parties shall have no other claim against each other.

If the EGM Approval is not fulfilled on or before 21 April 2017 (the “**EGM Approval Date**”) notwithstanding the supply of the Undertaking to the Vendor, the Purchaser shall be entitled to extend the EGM Approval Date by serving no less than five (5) Business Days written notice to the Vendor informing the Vendor of its intention to extend the EGM Approval Date in which case the EGM Approval Date shall be extended to not later than 8 May 2017. Upon such extension of the EGM Approval Date, the Completion Date shall automatically be extended to on or before 12 May 2017. If the EGM Approval is not fulfilled on the extended EGM Approval Date, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement whereupon the Vendor or (as the case may be) the Vendor’s solicitors shall return the Deposit paid to the Purchaser but without interest, costs or compensation.

Neither party shall be obliged to complete the sale and purchase of either the Sale Share or the Loan or to enter into the Hotel Management Agreement if the completion of the sale and purchase of the Sale Share and the Loan as well as the entry into the Hotel Management Agreement shall not take place contemporaneously.

Vendor’s Warranties

Customary warranties (including those in relation to title to assets, accounts, litigations, etc.) have been given by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement.

Guarantee

The Company unconditionally and irrevocably guarantees the due and proper performance by the Vendor of all its obligations and liabilities under the Sale and Purchase Agreement. GWTH unconditionally and irrevocably guarantees the due and proper performance by the Purchaser of all its obligations (including but not limited to payment obligations) and liabilities under the Sale and Purchase Agreement.

Deed of Tax Indemnity

The Purchaser, the Vendor and the Company also agree to execute the Deed of Tax Indemnity on Completion pursuant to which the Vendor and the Company will jointly and severally, fully and effectually indemnify and keep fully and effectually indemnified the Purchaser and DAGL from and against certain tax liabilities of DAGL occurred and incurred prior to the date of the Deed of Tax Indemnity.

THE HOTEL MANAGEMENT AGREEMENT

Parties

Manager: Dorsett Hospitality International Services Limited, a wholly owned subsidiary of the Vendor

Owner: DAGL

Manager's Guarantor: the Company

Owner's Guarantor: GWTH

Term

The Hotel Management Agreement will commence immediately after the Completion for the period of the Term.

Services

The Manager shall manage and operate the Hotel, on behalf of DAGL, during the Term as a hotel in accordance with the provisions of the Hotel Management Agreement.

Management Fee and Owner's Guaranteed Return

During the Term, DAGL shall be entitled to Owner's Guaranteed Return as stated in the Hotel Management Agreement for each Operating Year from the gross operating profits of the Hotel for that Operating Year, which shall first be settled on a pro rata monthly basis and be adjusted subsequently on an annual basis at the end of each Operating Year in the following manner:

- (a) if at the end of the Operating Year, the gross operating profits of the Hotel for that Operating Year exceeds the Owner's Guaranteed Return for that Operating Year, then the Manager's management fee for such Operating Year shall be an amount equal to 50% of the gross operating profits (of that Operating Year) in excess of the annual Owner's Guaranteed Return (for that Operating Year); but
- (b) if at the end of the Operating Year, the gross operating profits of the Hotel for that Operating Year is equal to or less than the Owner's Guaranteed Return for that Operating Year, then the Manager shall not be entitled to any management fee for such Operating Year and in the event the gross operating profits of the Hotel is less than the Owner's Guaranteed Return, the Manager shall be required to pay DAGL an amount equal to the Owner's Guaranteed Return (to the extent outstanding).

INFORMATION ON THE GROUP

The Company is an investment holding company. The principal activities of the Group are property development, property investment, hotel operations and management, car park operations and facilities management, and securities and financial product investments.

INFORMATION ON THE PURCHASER

The Purchaser is principally engaged in investment holding. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner(s) of the Purchaser are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL INFORMATION OF DAGL

The following are the audited financial information of DAGL for the two financial years ended 31 March 2015 and 31 March 2016 which were prepared in accordance with the accounting policies of Hong Kong Financial Reporting Standards and are extracted from the audited financial statements of DAGL:

	For the year ended 31 March 2016 (HK\$)	For the year ended 31 March 2015 (HK\$)
Net (loss)/profit before taxation	(850,593)	4,383,989
Net (loss)/profit after taxation	(1,020,709)	3,345,142
	As at 31 March 2016 (HK\$)	As at 31 March 2015 (HK\$)
Net assets	23,360,733	24,381,442
Total assets	320,121,379	313,498,415

REASONS FOR AND BENEFIT OF THE SALE AND THE HOTEL MANAGEMENT AGREEMENT

The Board considers that the Sale and the Hotel Management Agreement:

- (a) would provide a good opportunity for the Group to realise the profits made and to reflect the value of the Property;
- (b) would enable the Group to remain as the manager to manage the Hotel under the brand “Silka” and “絲麗” and to continue its expansion into the hotel management business; and
- (c) would provide additional cash flows to the Group to enable it to redeploy its resources to other investment opportunities.

The Directors are of the view that the terms of the Sale and Purchase Agreement and the Hotel Management Agreement, are fair and reasonable and the entering into the Sale and Purchase Agreement and the Hotel Management Agreement is in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE SALE

The Directors estimate that upon Completion, the Group is expected to record a gain from the Sale of approximately HK\$316,000,000, being the difference between (i) the Consideration and (ii) the aggregate of the estimated book carrying value of DAGL attributable to the Group at the Completion and the estimated expenses and taxes in relation to the Sale.

Upon Completion, DAGL will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group's financial statements.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Sale will be retained as capital for the Group's business development and general corporate purposes.

LISTING RULES IMPLICATIONS

As the Vendor is a wholly owned subsidiary of the Company and one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale are greater than 5% but less than 25%, the Sale constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Adjustments”	the adjustments to be made to the Consideration in the manner as described under the Sale and Purchase Agreement;
“Balance of Consideration”	HK\$405,000,000;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or a Sunday or public holiday) on which banks are generally open for business in Hong Kong;
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, with its shares listed on the Stock Exchange (Stock Code: 35);

“Completion”	completion of the sale and purchase of the Sale Share, the assignment of the Loan and the entry into the Hotel Management Agreement in accordance with the Sale and Purchase Agreement;
“Completion Date”	on or before 28 April 2017 or as extended under the Sale and Purchase Agreement or such other date as the parties may mutually agree;
“Completion Management Accounts”	unaudited management accounts comprising the balance sheet and profit and loss account covering the period from the date immediately following 31 March 2016 up to (and inclusive of) the Completion Date and duly certified true and correct by a director of DAGL;
“Consideration”	the sum of HK\$450,000,000, subject to Adjustments;
“DAGL”	Double Advance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Vendor;
“Deed of Tax Indemnity”	the deed of tax indemnity to be entered into among the Purchaser, the Vendor and the Company on the Completion;
“Deposit”	HK\$45,000,000;
“Directors”	the directors of the Company for the time being;
“Group”	the Company and its subsidiaries from time to time;
“GWTH”	Golden Wheel Tiandi Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, with its shares listed on the Stock Exchange (Stock Code: 1232), being the holding company of the Purchaser;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hotel”	the building located on the Property owned by DAGL which is known as Silka West Kowloon, Hong Kong;
“Hotel Management Agreement”	the management contract in respect of the Hotel to be made between DAGL, the Manager, the Company and GWTH relating to the management of the Hotel immediately after Completion;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	all amounts owing by DAGL to the Vendor as at the Completion, which is to be acquired by the Purchaser upon Completion;
“Manager”	Dorsett Hospitality International Services Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Vendor;
“Operating Year”	from 1 January of a year to 31 December of that year provided that the first Operating Year shall be the period commencing on the Completion Date and ending on 31 December 2017 and provided that the final Operating Year may be less than a full year if the Hotel Management Agreement is terminated early or the expiry of the Term does not end on 31 December of a year;
“Owner’s Guaranteed Return”	the annual owner’s guaranteed return in the amount of HK\$18,000,000, to be adjusted on a pro rata basis if an Operating Year consists of less than 12 months and subject to adjustments due to an emergency or a renovation or a force majeure event as defined in the Hotel Management Agreement;
“Property”	All that piece or parcel of ground registered in the Land Registry as Kowloon Inland Lot No.6374 and of and in the messuages erections and buildings erected thereon now known as No.48 Anchor Street, Kowloon, Hong Kong;
“Purchaser”	Golden Wheel Jasper Company Limited, a company incorporated in the British Virgin Islands with limited liability and an independent third party of the Company and its connected persons (as defined in the Listing Rules);
“Sale”	the sale of the Sale Share and the Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 March 2017 and entered into between the Purchaser, the Vendor, the Company and GWTH in relation to the sale and purchase of the Sale Share and the Loan as well as the entry into the Hotel Management Agreement;
“Sale Share”	one issued ordinary share legally and beneficially owned and held by the Vendor, representing the entire issued share of DAGL as at the date hereof and at Completion;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Term”	a term of 6 years starting from the Completion Date;
“Vendor”	Dorsett Hospitality International Limited, a company incorporated in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company;
“Vendor’s Solicitors”	Messrs. Lo & Lo of 7th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong; and
“%”	per cent.

By order of the Board of
Far East Consortium International Limited
Tak Shing CHOI
Company Secretary

Hong Kong, 3 March 2017

As at the date of this announcement, the Board comprises four executive directors namely, Tan Sri Dato’ David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU and Mr. Craig Grenfell WILLIAMS; one non-executive director, Mr. Chi Hing CHAN; and three independent non-executive directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM.

This announcement was originally prepared in English and was subsequently translated into Chinese. In the event of any inconsistency between the two texts, the English text of this announcement shall prevail over the Chinese text.