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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 – STRATEGIC ALLIANCE AND SUBSCRIPTION AGREEMENTS WITH THE STAR ENTERTAINMENT GROUP LIMITED AND CHOW TAI FOOK GROUP**

#### **THE STRATEGIC ALLIANCE AGREEMENT**

The Board is pleased to announce that, after the trading hours of the Stock Exchange on 28 March 2018, the Company, CTF and The Star entered into the Strategic Alliance Agreement under which the parties agree to form a strategic alliance to facilitate mutual business growth and enable each party to benefit from each other's capabilities and scale and to leverage each party's experience and expertise to assist in the future growth and development of each of the parties' business, including in respect of the development of and participation in the Future Star Developments and Nominated Developments, and the provision of certain marketing services.

#### **THE SUBSCRIPTION AGREEMENT**

The Company, CTF and The Star also entered into the Subscription Agreement after the trading hours of the Stock Exchange on 28 March 2018, pursuant to which The Star agrees to issue and allot and the Company and CTF will each (through their respective nominated entity) subscribe for 45,825,000 fully paid ordinary shares in The Star, which, immediately after the Subscription will each represent 4.99% of the total fully paid ordinary shares in The Star.

The Subscription Price to be paid by the Company shall be AU\$245,163,750 (equivalent to approximately HK\$1,478,337,000).

\* For identification purposes only

The Star Group is primarily engaged in the management of integrated resorts with gaming, entertainment and hospitality services. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, CTF, The Star and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable Percentage Ratios in respect of the Subscription exceeds 5% but all the applicable Percentage Ratios are less than 25%, the Subscription by the Company constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **THE STRATEGIC ALLIANCE AGREEMENT**

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The Company, CTF and The Star agree to form a strategic alliance to facilitate mutual business growth and enable each party to benefit from each other's capabilities and scale and to leverage each party's experience and expertise to assist in the future growth and development of each of the parties' business, including in respect of the development of and participation in the Future Star Developments and Nominated Developments, and the provision of certain marketing services.

The Strategic Alliance Agreement and the strategic alliance created thereby commences on the date of the Strategic Alliance Agreement and will continue and operate with full force and effect until terminated in accordance with the terms thereof.

#### **THE SUBSCRIPTION AGREEMENT**

The Company, CTF and The Star also entered into the Subscription Agreement after the trading hours of the Stock Exchange on 28 March 2018, the principal terms of which are set out below:

##### **Subject matter**

Pursuant to the Subscription Agreement, The Star agrees to issue and allot and each Subscriber severally agrees to (through their respective nominated entity) subscribe for its Subscription Shares pursuant to the terms and conditions thereof.

## **Subscription Price**

The Subscription Price is payable by the Company to The Star out of a combination of the Group's internal resources and external financing in immediately available funds at Completion.

The Subscription Price for each Subscription Share is equivalent to the average daily volume weighted average sale price per fully paid ordinary share of The Star sold on ASX in the ordinary course of trading on ASX (including the closing single price auction) for the 5 trading days up to and including the date of the Subscription Agreement.

## **Other Terms**

The Subscription Agreement also contains other terms, which, amongst others, include those in relation to certain top-up rights, director nomination rights (which are subject to certain shareholding thresholds and regulatory approval) and standstill conditions which restrict the Subscribers from increasing their voting power in The Star, in aggregate, to more than 19.9%, subject to certain exceptions.

## **Completion**

The Completion is scheduled to take place on 16 April 2018 or any other date agreed by the Subscribers and The Star in writing.

## **Disposal Restrictions**

The Subscription Shares are not subject to any lock-up undertaking. However, each Subscriber agrees that it will not, and will ensure that none of its affiliates (including any nominee) will, dispose of or agree to dispose of its Subscription Shares, directly or indirectly, to certain persons who are competitors of The Star. Exemptions from such restrictions include transfers made in accordance with the terms of the Subscription Agreement or with the prior written consent of The Star.

## **Termination**

The Subscription Agreement may be terminated at any time before Completion by:

- (1) written notice from any party to the other parties if the strategic alliance is terminated or rescinded;
- (2) written notice from The Star to a Subscriber if the Subscriber is or becomes insolvent, or if that Subscriber ceases or threatens to cease to carry on its business; or
- (3) written notice from a Subscriber to The Star if The Star is or becomes insolvent, or if The Star ceases or threatens to cease to carry on its business.

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is an investment holding company and 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 STAR GROUP**

The Star is listed on the ASX under the share code “SGR” and is one of the ASX 100 listed companies. The principal activities of The Star Group are the management of integrated resorts with gaming, entertainment and hospitality services. As at the date of this announcement, the Company has certain joint-venture projects with The Star and CTF in Queen’s Wharf in Brisbane, Sydney and Gold Coast where The Star Group also owns and operates various world class integrated resorts.

### **The Gaming Licences and operations of The Star Group**

The Star Group currently holds the following licences in New South Wales and Queensland:

- (1) a licence granted under the NSW Casino Act to operate the casino known as The Star Sydney, which has a commencement date of 14 December 1994 and operates for a period of 99 years (unless cancelled or surrendered);
- (2) a licence granted under the Qld Casino Act to operate the casino known as The Star Gold Coast, which has a commencement date of 20 November 1985 and continues in perpetuity (unless cancelled or surrendered); and
- (3) a licence granted under the Qld Casino Act to operate the casino known as The Treasury Brisbane, which has a commencement date of 11 April 1995 and continues in perpetuity (unless cancelled or surrendered).

The three casinos in Australia owned and operated by The Star Group feature gaming tables, mechanized gaming devices and slot machines.

## **LEGAL OPINION AND REGULATORY ENVIRONMENT**

Under the Guidance Letter, should the Group invest directly or indirectly in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, and/or the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares. In that connection, the Company has obtained legal opinions from qualified lawyers in Hong Kong and Australia.

The Star has been listed on the ASX since 2011 and is therefore subject to regulations and continuous disclosure obligations under applicable Australian laws. The Star has publicly stated in its annual report for the year ended 30 June 2017 that The Star Group did not have any material compliance or risk breaches for that financial year and has warranted, for the period up to the date of the Subscription Agreement, to the same effect in favour of the Company.

Having considered the warranties given by The Star in the Subscription Agreement, results of other findings during due diligence and the above, the Company is satisfied that:

- (1) The Star currently holds the Gaming Licences, which are (subject to any conditions imposed thereunder) current, valid and have not been revoked and are not subject to any review by a relevant authority (other than any periodic review required to be undertaken in accordance with the NSW Casino Act or the Qld Casino Act) as at the date of this announcement; and
- (2) The Star Group has complied in all material respects with all applicable laws and regulations and its business model is not unlawful under the Gambling Ordinance.

## **FINANCIAL INFORMATION OF THE STAR GROUP**

As at 31 December 2017, the consolidated unaudited net assets of The Star Group compiled in accordance with the Australian Accounting Standard AASB 134 “Interim Financial Reporting” was approximately AU\$3,239.4 million.

The following are the consolidated audited financial information of The Star Group for the financial year ended 30 June 2016 and 30 June 2017 (which were prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia), respectively:

	<b>For the year ended</b>	
	<b>30 June</b>	
	<b>2016</b>	<b>2017</b>
	<i>AU\$ million</i>	<i>AU\$ million</i>
	(audited)	(audited)
Profit before tax	279.2	380.0
Profit after tax	194.4	264.4

For reference only, the mid-price of the opening indicative counter exchange rate of AU\$ to HK\$ as on 28 March 2018 as published by the Hong Kong Association of Banks is approximately 6.03.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Board considers that the entering into of the Agreements will provide the parties with a commercial framework to facilitate future business growth and enable the parties to benefit from each other's capabilities and scale; and bring the following strategic benefits to the Group:

- (a) strengthen its already established relationship with The Star;
- (b) forge partnership for potential mixed use property projects in relation to the Future Star Developments and the Nominated Developments which will be complementary to The Star's operations, and to the Group's development pipeline in Australia;
- (c) allow the Group to increase its exposure to the Queen's Wharf development, where the Group already has an equity stake, and benefit from The Star's future growth;
- (d) benefit from cross-selling through future co-operation with The Star which is synergistic to the gaming platform of the Group following its recent announcement to acquire Trans World Corporation; and
- (e) benefit from cash flow from The Star's future dividend distribution following its announcement to increase the dividend payout to at least 70% of normalised net profit after tax commencing the financial year of 2018.

The Board considers that the entering into of the Agreements is in line with the investment strategies of the Group. The Board is of the view that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

The Subscribers intend to submit applications to the relevant regulators in New South Wales and Queensland to have the right to increase, in aggregate, their shareholding in The Star to over 10%.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable Percentage Ratios in respect of the Subscription exceeds 5% but all the applicable Percentage Ratios are less than 25%, the Subscription by the Company constitutes a discloseable transaction of the Company and is subject to 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:

“ASX”	Australian Stock Exchange
“AU\$”	Australian dollars, the lawful currency of Australia
“Agreements”	collectively, the Subscription Agreement and the Strategic Alliance Agreement
“Board”	the board of Directors
“Company”	Far East Consortium International Limited (遠東發展有限公司*), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35)
“Completion”	the completion of the Subscription
“connected persons”	has the meaning ascribed to such term in the Listing Rules
“CTF”	relevant company(ies) within the Chow Tai Fook group of companies
“Director(s)”	the directors of the Company
“Future Star Developments”	certain proposed future mixed use property development to be undertaken by The Star (or its related bodies corporate) either in Australia or internationally
“Gambling Ordinance”	Gambling Ordinance, Chapter 148 of the laws of Hong Kong
“Gaming Licence”	the following licences currently held by The Star: <ol style="list-style-type: none"><li>(1) a licence granted under the NSW Casino Act to operate the casino known as The Star Sydney, which has a commencement date of 14 December 1994 and operates for a period of 99 years (unless cancelled or surrendered);</li><li>(2) a licence granted under the Qld Casino Act to operate the casino known as The Star Gold Coast, which has a commencement date of 20 November 1985 and continues in perpetuity (unless cancelled or surrendered); and</li></ol>

(3) a licence granted under the Qld Casino Act to operate the casino known as the Treasury Brisbane, which has a commencement date of 11 April 1995 and continues in perpetuity (unless cancelled or surrendered)

“Group”	the Company and its subsidiaries
“Guidance Letter”	the Stock Exchange’s guidance letter HKEx-GL71-14 (January 2014) in relation to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers”
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nominated Developments”	various proposed developments to be undertaken within The Spit precinct and The Pyrmont precinct located in Australia, and any other development or project agreed by the parties to the Strategic Alliance Agreement from time to time, and includes any proposed or future stage of development contemplated by the agreed masterplan for the relevant nominated development
“NSW”	New South Wales
“NSW Casino Act”	Casino Control Act 1992 (NSW)
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Qld”	Queensland
“Qld Casino Act”	Casino Control Act 1982 (Qld)
“Share(s)”	ordinary share of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Alliance Agreement”	the strategic alliance agreement entered into among the Company, CTF and The Star on 28 March 2018 under which the parties agree to form a strategic alliance
“Subscriber” and “Subscribers”	the Company and/or CTF



“Subscription”	the subscription of the Subscription Shares by the Company in accordance with the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into among the Company, CTF and The Star on 28 March 2018 for, among others, the Subscription
“Subscription Price”	AU\$245,163,750 (equivalent to approximately HK\$1,478,337,000), payable by the Company for the Subscription
“Subscription Shares”	45,825,000 fully paid ordinary shares in The Star
“The Star”	The Star Entertainment Group Limited, a company incorporated under the laws of Australia and the shares of which are listed on the ASX
“The Star Group”	The Star and its subsidiaries
“%”	per cent.

*Unless otherwise specified, amounts in this announcement denominated in AU\$ were translated for the purpose of illustration only into HK\$ at the rate of AU\$1.00: HK\$6.03. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.*

By Order of the Board  
**Far East Consortium International Limited**  
**Ka Pong CHAN**  
*Company Secretary*

Hong Kong, 28 March 2018

*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; and three independent non-executive directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM.*