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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO FORMATION OF JOINT VENTURE
FOR ACQUISITION OF PROPERTY IN KAI TAK**

CONTENTS

	Page
Definitions	1
Letter from the Board	8
Appendix I — Financial Information of the Group	I-1
Appendix II — Accountants' Report of the Target Company	II-1
Appendix III — Unaudited Pro Forma Financial Information of the Group after Completion	III-1
Appendix IV — Management Discussion and Analysis on the Target Company	IV-1
Appendix V — Property Valuation Report	V-1
Appendix VI — General Information	VI-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares and the assignment of the Sale Loan pursuant to the SPA
“Amended Facility Agreement (2020)”	has the meaning given to it under the paragraph headed “2. The Acquisition — Assumption of liabilities and provision of guarantees and securities under Facility Agreement (2021) and Facility Agreement (2020)” in the Letter from the Board of this circular
“Amended and Restated Facility Agreement (2021)”	has the meaning given to it under the paragraph headed “2. The Acquisition — Assumption of liabilities and provision of guarantees and securities under Facility Agreement (2021) and Facility Agreement (2020)” in the Letter from the Board of this circular
“Board”	board of Directors
“Business Day”	a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“BVI”	the British Virgin Islands
“Cashier Orders”	has the meaning given to it under the paragraph headed “2. The Acquisition — Consideration and payment terms” in the Letter from the Board of this circular
“Company”	Far East Consortium International Limited (遠東發展有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35)
“Completion”	completion of the Acquisition in accordance with the terms of the SPA
“Completion Date”	30 November 2021

DEFINITIONS

“Completion Debt”	the liabilities (whether actual or contingent) of the Target Company as at the Completion Date, excluding (a) an amount of up to HK\$168,000,000 (such HK\$168,000,000 cap to be reduced by any amounts paid by the Vendor, Vendor Guarantor, or any of their affiliates or connected persons (excluding the Target Company) under the terms of the SPA) of liabilities of the Target Company to the relevant contractors under the Target Company’s construction contracts as certified by the quantity surveyor and to consultants and/or professional advisers for their actual costs with respect to the construction of the new building on the Property provided always that in respect of any of the Vendor, the Vendor Guarantor, any of their affiliates or connected persons (including without limitation the relevant registered contractor pursuant to the terms of the SPA), any such amounts of obligations, liabilities and/or costs shall include only the direct costs (including insurance, waste disposal fees, government levies, on-site staff salaries actually incurred by such Vendor, Vendor Guarantor, any of their affiliate or connected person in connection with the construction of new building on the Property (provided always that the benefit of such costs remains with the Target Company after Completion), and exclude any and all profit, charge, surcharge, mark-up, fee or item of similar effect of, due to, incurred or charged (and for the avoidance of doubt excludes any costs which the benefit does not remain with the Target Company after Completion, (b) the interest accrued under the Facility Agreement (2020) from the last interest payment date to the Completion Date to the relevant lenders, being an amount of HK\$24,701,968.24 as at 30 November 2021, (c) any liabilities of the Target Company under the Profit Sharing Agreement, and (d) liabilities in relation to the legal fees of the lenders in relation to the amendments to the Facility Agreement (2020) and Facility Agreement (2021) contemplated under the SPA, which shall be borne equally by the JV Company and the Vendor
“Condition(s)”	has the meaning given to it under the paragraph headed “2. The Acquisition — Conditions” in the Letter from the Board of this circular

DEFINITIONS

“Consideration”	the Sale Shares Consideration and the Sale Loan Consideration
“Deposit”	HK\$500,000,000
“Director(s)”	the director(s) of the Company
“Facility Agreement (2020)”	the facility agreement dated 24 November 2020 entered into between, among others, the Target Company (as borrower) and the relevant commercial bank (as mandated lead arranger and bookrunner, agent and security agent)
“Facility Agreement (2021)”	the facility agreement dated 21 January 2021 entered into between, among others, the Vendor (as borrower), Vendor Guarantor (as guarantor) and the relevant commercial bank (as agent and security agent)
“FECL”	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of the Company
“Grant Thornton”	Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong
“Group”	the Company and its subsidiaries
“Guarantees”	has the meaning given to it under the paragraph headed “2. The Acquisition — Assumption of liabilities and provision of guarantees and securities under Facility Agreement (2021) and Facility Agreement (2020)” in the Letter from the Board of this circular
“HKFRS”	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
“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

DEFINITIONS

“Joint Venture”	the joint venture of the JV Partners formed for the Acquisition pursuant to the terms of the MOA
“JV Company”	River Riches Limited, a company incorporated in BVI and held as to 50% by the Company (through FECL) and 50% by NWD (through Modern Culture)
“JV Partners”	the Company and NWD
“Knight Frank”	Knight Frank Petty Limited, an independent valuer
“Latest Practicable Date”	14 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2021, or such other date as may be agreed by the Vendor and the JV Company in writing from time to time, in any event not later than 3 December 2021
“MOA”	the memorandum of agreement entered into between the Company and NWD in relation to the formation of the Joint Venture dated 24 November 2021
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Modern Culture”	Modern Culture Limited, a company incorporated in BVI with limited liability, a direct wholly-owned subsidiary of NWD
“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0017)
“Percentage Ratios”	has the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Permitted Encumbrances”	the encumbrances created under the Share Charge and the Subordination Agreement

DEFINITIONS

“Profit Sharing Agreement”	the profit sharing agreement dated 27 July 2020 between Gold Flair Holdings Limited, the Vendor and the Target Company
“Property”	all the piece or parcel of ground registered in the Land Registry of Hong Kong as New Kowloon Inland Lot No. 6591 with messuages erections and buildings thereon
“Purchaser Guarantors”	the Company and NWD
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Reimbursable Amount”	payments of up to HK\$30,000,000 to be made by the JV Company to the Vendor and not financed by the drawdown of the Facility Agreement (2020) for (a) an aggregate amount of up to HK\$168,000,000 of obligations and liabilities of the Target Company to the relevant contractors under the Target Company’s construction contracts as certified by the quantity surveyor and to consultants and/or professional advisers for their actual costs with respect to the construction of the new building on the Property from 31 October 2021 up to the Completion Date provided always that in respect of the Vendor, the Vendor’s Guarantor, any of their affiliates or connected persons (including without limitation the relevant registered contractor pursuant to the terms of the SPA), any such amounts of obligations, liabilities and/or costs shall include only the costs actually incurred by such persons and exclude any and all profit, charge, surcharge, mark-up, fee or item of similar effect of, due to, incurred or charged; and (b) an amount of HK\$55,326,968.23 of obligations and liabilities to the interest accrued but not paid to the lenders (or the agent) under the Facility Agreement (2020) and Facility Agreement (2021) actually incurred up to the Completion Date
“S\$”	Singapore dollars, the lawful currency of the Republic of Singapore
“Sale Loan”	all outstanding loans and interest due to the Vendor or its affiliates by the Target Company as at the date of the SPA (other than the Reimbursable Amount)

DEFINITIONS

“Sale Loan Consideration”	HK\$1,231,759,145
“Sale Shares”	100% of all the issued ordinary shares of the Target Company
“Sale Shares Cash Consideration”	HK\$664,240,855, being the sum to be satisfied in cash at Completion pursuant to the terms of the SPA
“Sale Shares Consideration”	HK\$7,948,000,000 minus HK\$3,052,000,000, being the total outstanding principal amount under the Facility Agreement (2020) as at Completion minus the Sale Loan Consideration
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Charge”	the share charge dated 26 November 2020 over all the ordinary share(s) of the Target Company executed by the Vendor, in favour of the relevant commercial bank
“Shares”	ordinary shares of the Company
“Shareholder(s)”	shareholders of the Company
“Side Letter”	the side letter dated on or about the date of the SPA entered into between the Vendor’s solicitors and the JV Company in respect of the Cashier Orders
“SPA”	the share purchase agreement dated 24 November 2021 (as amended and supplemented by an amendment agreement dated 30 November 2021) entered into between the Vendor, the JV Company, the Purchaser Guarantors and the Vendor Guarantor in relation to the sale and purchase of the Sale Shares and the assignment of the Sale Loan
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordination Agreement”	the subordination agreement (incorporating assignment of loan) dated 26 November 2020 executed by the Target Company and the Vendor in favour of the relevant commercial bank

DEFINITIONS

“Target Company”	Rich Fast International Limited, a company incorporated under the laws of Hong Kong with limited liability
“USD” or “US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Yan You Limited, a company incorporated under the laws of the BVI with limited liability
“Vendor Guarantor”	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), a company incorporated in the Cayman Islands with limited liability as an exempted company and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638)
“%”	per cent.
“£”	Pound Sterling, the lawful currency of the United Kingdom



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

(Stock Code: 35)

Executive Directors:

Tan Sri Dato' David CHIU
(Chairman and Chief Executive Officer)
Mr. Cheong Thard HOONG
Mr. Dennis CHIU
Mr. Craig Grenfell WILLIAMS
Ms. Wing Kwan Winnie CHIU

Independent Non-executive Directors:

Mr. Kwok Wai CHAN
Mr. Kwong Siu LAM
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21 March 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO FORMATION OF JOINT VENTURE
FOR ACQUISITION OF PROPERTY IN KAI TAK**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 24 November 2021, in relation to the formation of the JV Company for the Acquisition and the announcement of the Company dated 30 November 2021, in relation to the Completion of the Acquisition. Pursuant to an MOA dated 24 November 2021 for the purpose of the Acquisition, the JV Company was formed between the Company (through FECL), and NWD (through Modern Culture), which is held as to 50% by the Company (through FECL) and 50% by NWD (through Modern Culture). On 24 November 2021, the JV Company as the purchaser, the Vendor, the Purchaser Guarantors and the Vendor Guarantor entered into

* For identification purposes only

LETTER FROM THE BOARD

the SPA. Under the SPA, the Vendor agreed to sell the Sale Shares and procure the assignment of the Sale Loan, and the JV Company agreed to (i) acquire all of the Sale Shares at the consideration of HK\$7,948,000,000 minus HK\$3,052,000,000, being the total outstanding principal amount under the Facility Agreement (2020) as at Completion and minus the Sale Loan Consideration and (ii) accept the assignment of the Sale Loan at the consideration of HK\$1,231,759,145. Completion took place on 30 November 2021 and following Completion, the Target Company which is the legal and beneficial owner of the Property, has become wholly owned by the JV Company.

Upon Completion, the JV Company assumed the Vendor's liabilities under the Facility Agreement (2021) with terms varied (including the lowering of interest rate). Also, the Company and NWD has each guaranteed 50% of (i) the JV Company's liabilities assumed from the Vendor under the Facility Agreement (2021); and (ii) the Target Company's liabilities under the Facility Agreement (2020), on a several basis.

The Group's total commitment for the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with, among other things, (i) details of the formation of the JV Company for the Acquisition; (ii) the financial information of the Group; (iii) the accountants' report of the Target Company; (iv) the unaudited pro forma financial information of the Group after Completion; (v) management discussion and analysis on the Target Company; (vi) valuation report on the Property prepared by an independent property valuer; and (vii) general information of the Group.

2. THE ACQUISITION

Principal terms of the SPA

Date: 24 November 2021

Parties

- (a) the Vendor
- (b) the Vendor Guarantor
- (c) the JV Company as the purchaser
- (d) the Company as purchaser guarantor 1
- (e) NWD as purchaser guarantor 2

To the best of knowledge, information and belief of the Directors after making all reasonable enquiry, the Vendor, the Vendor Guarantor and their respective ultimate beneficial owners were third parties independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of the SPA.

LETTER FROM THE BOARD

Subject matter

On the terms and subject to the SPA, the Vendor agreed to sell, and the JV Company agreed to purchase the Sale Shares free from all encumbrances (other than the Permitted Encumbrances) with full title guarantee and with all rights attached thereto as at Completion. On the terms and subject to the conditions of the SPA, the Vendor agreed to assign and procure the assignment of, and the JV Company agreed to take the assignment of, all benefits and interests of and in the Sale Loan free from all encumbrances (other than the Permitted Encumbrances) and with all rights attached thereto as at Completion. The Target Company is a special purpose vehicle holding the Property. Following Completion, the Target Company has become a wholly-owned subsidiary of the JV Company, which is held as to 50% by the Company (through FECL) and as to 50% by NWD (through Modern Culture).

Consideration and payment terms

The consideration for the sale and purchase of the Sale Shares and the assignment of the Sale Loan was as follows:

- (a) the Sale Shares Consideration; and
- (b) the Sale Loan Consideration.

The Sale Shares Consideration is the Consideration minus the Sale Loan Consideration. The Consideration is determined with reference to, amongst others, the original tender amount of the Property accepted by the Government which was approximately HK\$8,907 million based on the announcement previously published on the Stock Exchange in relation to the acceptance of the tender submitted by the Target Company for the Property, and the estimated costs for the construction works (including foundation works) which have been carried out at approximately HK\$370 million. As the Consideration is lower than the original tender amount of the Property accepted by the Government, and having taken into account, amongst others, the estimated costs for the constructions works which have been carried out, the location of the Property, prevailing market conditions and comparable price of similar properties in the vicinity of the Property, the Board considers the Consideration (including the Sale Share Consideration) is fair and reasonable.

Upon the execution of the SPA, the JV Company delivered to the Vendor's solicitors (acting on behalf of the Vendor) cashier's orders in the total sum of the Deposit (the "Cashier Orders") and subject to and in accordance with the terms of the SPA and the Side Letter, the Vendor's solicitors released the Cashier Orders to the Vendor at Completion.

The Sale Shares Consideration was satisfied at Completion as follows:

- (i) as to HK\$3,000,000,000 was satisfied by assumption of liabilities of the Vendor under the Facility Agreement (2021) and the release and discharge of all of the obligations of the obligors under the Facility Agreement (2021);
- (ii) the Sale Shares Cash Consideration was satisfied in cash pursuant to the terms of the SPA.

LETTER FROM THE BOARD

The Sale Loan Consideration was satisfied at Completion in cash pursuant to the terms of the SPA.

Within 90 days after Completion, the JV Company at its cost has procured that the auditor of the Target Company for the time being to determine the Completion Debt. Upon such determination by the auditor, the JV Company shall notify the Vendor the amount of Completion Debt, and the Vendor shall within 5 Business Days of such notification pay to the JV Company an amount equal to the Completion Debt (excluding contingent liabilities), to an account nominated by the JV Company.

Where any Completion Debt determined is a contingent liability, upon such liability becoming actual the Vendor shall immediately pay such amounts to the JV Company on demand. As at the Latest Practicable Date, the Company is not aware of any Completion Debt. As such, the Completion Debt would not have any impact on the Company's total commitment in the JV Company.

Conditions

Completion was subject to satisfaction of the following conditions (the "Conditions"):

- (1) copies of the following being made available to the JV Company:
 - (a) a statement issued by the lenders (or the agent) stating the amount of the loans, accrued interest and all other amounts accrued or outstanding under the Facility Agreement (2020) as at the Completion Date; and
 - (b) a statement issued by the lenders (or the agent) stating the amount of the loans, accrued interest and all other amounts accrued or outstanding under the Facility Agreement (2021) as at the Completion Date;
- (2) agreeing in the form of an assignment and amendment agreement with the lenders under the Facility Agreement (2021) in respect of, among other things, the assumption by the JV Company of the liabilities of the Vendor thereunder and relevant amendments to the Facility Agreement (2021) in form and substance satisfactory to the JV Company, and evidence that such agreement will become effective by no later than the Completion Date;
- (3) agreeing in the form of an amendment agreement with the lenders under the Facility Agreement (2020) in respect of, among other things, relevant amendments to the Facility Agreement (2020) in form and substance satisfactory to the JV Company, and evidence that such agreement will become effective by no later than the Completion Date;

LETTER FROM THE BOARD

- (4) the release and discharge of all of the obligations of the obligors under the Facility Agreement (2020) (other than the Target Company) to the satisfaction of the Vendor by no later than the Completion Date;
- (5) the release and discharge of all of the obligations of the obligors under the Facility Agreement (2021) to the satisfaction of the Vendor by no later than the Completion Date; and
- (6) obtaining consent for change of control from the counterparties under the material contracts (if any).

The Conditions set out in paragraphs (1), (2) (3) and (6) above may only be waived jointly by the Vendor and the JV Company. The Conditions set out in paragraphs (4) and (5) may only be waived by the Vendor.

Completion

All the Conditions have been fulfilled and the Acquisition was completed on 30 November 2021. Following Completion, the Target Company has become a wholly-owned subsidiary of the JV Company, which is held as to 50% by the Company (through FECL) and as to 50% by NWD (through Modern Culture).

Upon Completion, the JV Company assumed the Vendor's liabilities under the Facility Agreement (2021) and each of the Company and NWD has provided guarantees on a several basis and provided securities through FECL and Modern Culture, respectively, in respect of the Facility Agreement (2021) and Facility Agreement (2020). For details, please refer to the paragraph headed "Assumption of liabilities and provision of guarantees and securities under Facility Agreement (2021) and Facility Agreement (2020)" below.

Assumption of liabilities and provision of guarantees and securities under Facility Agreement (2021) and Facility Agreement (2020)

Pursuant to the terms of the Facility Agreement (2020), the Target Company obtained facilities for up to HK\$5,000,000,000 from the lenders under the Facility Agreement (2020) on 24 November 2020. Pursuant to the terms of the Facility Agreement (2021), the Vendor obtained facilities for up to HK\$3,000,000,000 from the lenders under the Facility Agreement (2021) on 21 January 2021.

Upon Completion, by entering into the various finance documents set out below, the JV Company assumed the Vendor's liabilities under the Facility Agreement (2021) and has sought to vary the terms of the Facility Agreement (2021) assumed (including the lowering of interest rate). Also (i) a guarantee in respect of the Facility Agreement (2021) has been provided by the Company and NWD, pursuant to which the Company and NWD has each guaranteed 50% of the Vendor's liabilities assumed by the JV Company on a several basis; and (ii) a guarantee has been entered into by the Company and NWD, pursuant to which the Company and

LETTER FROM THE BOARD

NWD has each guaranteed 50% of the Target Company's liabilities under the Facility Agreement (2020) on a several basis (the "**Guarantees**"). Securities have also been provided in respect of the Facility Agreement (2021) and Facility Agreement (2020).

Finance documents in relation to the Facility Agreement (2021):

- (1) the JV Company as new borrower, the Company and NWD as new guarantors on equal and several basis, entered into a restructure agreement dated 29 November 2021 with, amongst others, the Vendor as outgoing borrower, the Vendor Guarantor as outgoing guarantor and the lenders, novating, amending and restating the Facility Agreement (2021) with total facility commitment amount of HK\$3,000,000,000 for a term of 36 months from 25 January 2021 (the "**Amended and Restated Facility Agreement (2021)**");
- (2) FECL entered into a security over shares agreement dated 30 November 2021 in favour of the security agent, pursuant to which the Company's 50% interest in the JV Company held through FECL was charged as security for the liabilities of the JV Company under the Amended and Restated Facility Agreement (2021);
- (3) Modern Culture entered into a security over shares agreement dated 30 November 2021 in favour of the security agent, pursuant to which NWD's 50% interest in the JV Company held through Modern Culture was charged as security for the liabilities of the JV Company under the Amended and Restated Facility Agreement (2021);
- (4) FECL and the JV Company entered into an assignment of intercompany loan dated 30 November 2021 with the security agent, pursuant to which the shareholder loans owed by the JV Company to FECL will be assigned as security for the liabilities of the JV Company in favour of the security agent as trustee under the Amended and Restated Facility Agreement (2021); and
- (5) Modern Culture and the JV Company entered into an assignment of intercompany loan dated 30 November 2021 with the security agent, pursuant to which the shareholder loans owed by the JV Company to Modern Culture will be assigned as security for the liabilities of the JV Company in favour of the security agent as trustee under the Amended and Restated Facility Agreement (2021).

Finance documents in relation to the Facility Agreement (2020):

- (1) the Target Company as borrower entered into a supplement to agreement dated 30 November 2021 with the agent, to amend and supplement the Facility Agreement (2020) ("**Amended Facility Agreement (2020)**");

LETTER FROM THE BOARD

- (2) the Company entered into a guarantee dated 30 November 2021 in favour of the security agent, to guarantee 50% of the liabilities of the Target Company under the Amended Facility Agreement (2020);
- (3) NWD entered into a guarantee dated 30 November 2021 with the security agent, to guarantee 50% of the liabilities of the Target Company under the Amended Facility Agreement (2020);
- (4) the JV Company entered into a share charge dated 30 November 2021 in favour of the security agent, pursuant to which the entire issued share capital of the Target Company were charged as security for the liabilities of the Target Company under the Amended Facility Agreement (2020);
- (5) the Target Company as borrower, the Company and NWD as covenantors have entered into a funding agreement dated 30 November 2021 with the security agent, pursuant to which each of the Company and NWD have undertaken that it would (i) jointly and severally ensure and procure the Target Company to complete the construction of the Property and (ii) ensure that sufficient funds will be made available to meet any cost overrun and pre-completion expenses to prevent delay to the completion of the development of the Property, provided that any sum payable by each of the Company and NWD shall be several and limited to 50% each;
- (6) the Target Company as assignor, mortgagor or chargor, entered into a deed of confirmation dated 30 November 2021 in favour of the security agent, pursuant to which, the Target Company confirms, amongst others, that its obligations and liabilities under the relevant existing security documents dated 26 November 2020 would remain in full force and effect; and
- (7) the JV Company as subordinated lender and the Target Company as borrower entered into a subordination agreement dated 30 November 2021, in favour of the security agent, pursuant to which amongst others, (i) no payment of interest in relation to the subordinated indebtedness shall be made to the JV Company; and (ii) such subordinated indebtedness owed or may become owed by the Target Company to the JV Company shall not be repayable or repaid in whole or in part, until after the secured indebtedness has been paid and the obligations arising from the Amended Facility Agreement (2020) have been fully discharged.

LETTER FROM THE BOARD

Purchaser Guarantor's obligations

The Purchaser Guarantors, in consideration of the Vendor entering into the SPA, severally guarantees in equal (50:50) shares the due and punctual observance and performance by the JV Company of its obligations pursuant to the terms of the SPA.

Vendor Guarantor's obligations

The Vendor Guarantor, in consideration of the JV Company entering into the SPA, guarantees the due and punctual observance and performance by the Vendor of all its agreements, obligations, commitments and undertakings pursuant to the terms of the SPA. Pursuant to the terms of the SPA, the aggregate liability of the Vendor shall not exceed the sum on HK\$7,950,000,000.

3. FORMATION OF THE JOINT VENTURE

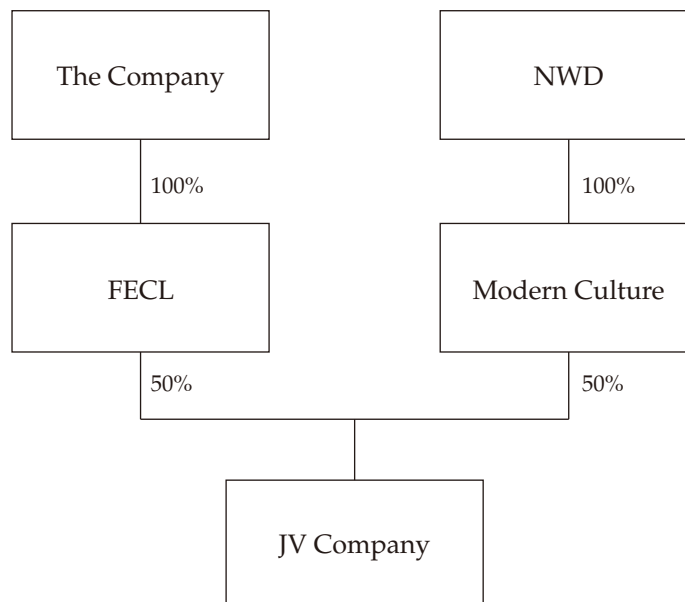
Principal terms of the MOA

Date: 24 November 2021

Parties

- (a) The Company
- (b) NWD

Ownership of the JV Company



The JV Company is held as to 50% by the Company (through FECL) and 50% by NWD (through Modern Culture).

LETTER FROM THE BOARD

The board of directors of the JV Company comprises 6 directors, 3 of whom are nominated by the Company and 3 of whom are nominated by NWD.

Capital commitment of the Group

NWD and the Company have provided shareholder loan to the JV Company to finance the Acquisition. The Group's total commitment for the formation of the Joint Venture for the Acquisition is 50% of the aggregate of (i) the Consideration (after deducting HK\$3,000,000,000 being the amount assumed by the JV Company under the Facility Agreement (2021)) and (ii) the provision of Guarantees (which together amounts to 50% of HK\$7,948,000,000, or HK\$3,974,000,000).

The Group intends to fund its capital commitment from the Group's internal resources and provision of its proportionate share of the Guarantees. The Directors are of the view that, after due and careful enquiry, the existing internal financial resources of the Company is sufficient to finance its capital commitment in the JV Company.

The Board considers that the total capital commitment of the Group for the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees) are fair and reasonable, having taken into account, amongst others, the location of the Property, prevailing market conditions, and comparable price of similar properties in the vicinity of the Property.

4. FINANCIAL EFFECTS ON THE FORMATION OF THE JOINT VENTURE FOR THE ACQUISITION

Upon establishment of the JV Company, the JV Company will not be a subsidiary of the Company and the financial results of the JV Company will not be consolidated into the financial statements of the Group. The profits/losses after taxation in respect of the JV Company shall be shared by the JV Partners in proportion to their respective equity interests in the JV Company.

The financial effects to the Group on the Acquisition upon Completion are as follows:

Effects on assets and liabilities

The carrying amount of interests in joint ventures of the Group is increased by its share capital injected to the JV Company of US\$1.

The Group injects funding of HK\$948,000,000 to the JV Company in form of an unsecured and interest-free shareholder loan without fixed terms of repayment in order to settle the payment of the Acquisition in proportion to the JV Partners' respective equity in the JV Company. It is therefore expected that the carrying amount of amounts due from joint ventures will be increased accordingly.

Due to the share capital injection and shareholder loan borrowed to the JV Company, the carrying amount of bank balances is respectively reduced.

LETTER FROM THE BOARD

In the consideration that the total capital commitment of the Group is funded by internal resources, no impact to the carrying amount of the bank borrowings.

Effects on earnings

It is expected that no gain or loss will be recognized in the consolidated financial statements of the Group upon Completion. No impact on earnings is therefore foreseen.

5. REASONS AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE FOR THE ACQUISITION

The Property is located at a prime location in Kai Tak which is a new development area of Hong Kong. The Property will serve as a replenishment of the Group's land bank in Hong Kong. The Group intends to develop the Property into a residential development through the Joint Venture.

The formation of the Joint Venture for the Acquisition will provide the Group with an opportunity to have a foothold in residential development in a prime area of the Kai Tak district which is undergoing transformational changes and will be developed into a vibrant business district. The Joint Venture not only allows the Group to continue diversifying its property development portfolio as well as add to the residential development pipeline, but also serves as a platform for the Group to be able to work with other reputable developer in Hong Kong.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees), including the total capital commitment of the Group in the Joint Venture, are arrived at after arm's length negotiation between the relevant parties, and such terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

6. INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is principally engaged as an investment holding company which is the legal and beneficial owner of the Property. As at the Latest Practicable Date, the Property is under development. It is under planning stage and the Target Company arranging for approval from the Hong Kong government. Construction of the main building of the Property is expected to commence in the second half of 2022 and the Property is expected to be completed in early 2025. The expected total development and construction costs to be incurred is approximately HK\$3 billion, which would be financed by the JV Company's shareholders loan and bank loan. The Property has a site area of about 9,708 sq. m. and is designated for private residential purposes. The minimum gross floor area and the maximum gross floor area are 32,037 sq. m. and 53,394 sq. m. respectively. As at the Latest Practicable Date, the Property is subject to a mortgage in favour of a commercial bank for a term loan facilities of up to an aggregate principal amount of HK\$5,000,000,000 made available to the Target Company.

LETTER FROM THE BOARD

Based on the accountants' report of the Target Company set out in Appendix II, the key financial information of the Target Company for the three financial years ended 30 June 2021 and the three months ended 30 September 2021 is as follows:

	For the financial year ended 30 June			For the three months ended	
	Period from			30 September	
	26 October			2021	
	2018 (date of incorporation)			2021	
	to 30 June			30 September	
	2021	2020	2021	2021	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
Revenue	-	-	-	-	
Net loss before taxation and excluding changes in fair value of investment property	6,590	13,129	2,280	1,203	
Changes in fair value of investment property	-	-	-	-	
Net loss before taxation ^(Note)	6,590	13,129	2,280	1,203	
Net loss after taxation ^(Note)	6,590	13,129	2,280	1,203	

Note: Having reflected the valuation gain / loss on investment less deferred tax liability arising from such valuation gain where applicable.

As at 30 September 2021, the audited net asset value and net current assets value of the Target Company were approximately HK\$5,674,022,000. Please refer to Appendix II to this circular for further financial information of the Target Company.

Knight Frank, an independent valuer, valued the Property with a valuation of HK\$10,270,000,000 as at 31 January 2022, based on the market approach. The text of the letter, a summary of valuation and the valuation certificate are set out in Appendix V to this circular.

The Board has reviewed and assessed the qualifications, experience and track record of Knight Frank. Based on information provided by Knight Frank, Ms. Natalie Wong, the senior director of Knight Frank and a co-signor of the property valuation report, who is also responsible for the property valuation report, is a qualified valuer with over 15 years of extensive experiences in valuation of properties in the People's Republic of China, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Asia Pacific region. The other co-signor of the property valuation report and the managing director of Knight Frank, Mr. Alnwick Chan, is a qualified valuer who has over 30 years of extensive experience in valuation of properties in Hong Kong. The Directors are of the view that Knight Frank is qualified and competent in performing the property valuation work of the Property.

Knight Frank has confirmed their independence from the Group or any other parties related to the Acquisition.

LETTER FROM THE BOARD

As the key assumptions adopted by Knight Frank in the valuation of the Property are common for transactions of similar nature, the Directors consider that the key assumptions adopted by Knight Frank to be fair and reasonable.

As disclosed in the property valuation report, Knight Frank has valued the Property based on the market approach on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the Property. As the relevant land sale transactions in the subject area are available in the open market, the Directors are of the view that the market approach adopted by Knight Frank is fair and reasonable.

7. INFORMATION OF THE PARTIES

Information on the Vendor

The Vendor is a company incorporated in BVI, a joint venture company held as to 50% indirectly by the Vendor Guarantor and 50% indirectly by Mr. Chen Zhuang Rong. The Vendor is principally engaged as an investment holding company. Based on the announcement previously published on the Stock Exchange in relation to the acquisition of the Target Company by the Vendor, Mr. Chen Zhuang Rong is a businessman engaging in investment activities.

Information on the Vendor Guarantor

The Vendor Guarantor is an investment holding company and the Vendor Guarantor and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the People's Republic of China.

Information on Modern Culture and NWD

Modern Culture is a direct wholly-owned subsidiary of NWD and is principally engaged in investment holding.

NWD and its subsidiaries are principally engaged in property development, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

Information on FECL and the Company

FECL is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding and property investment.

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, gaming and related operations, securities and financial product investments, and provision of mortgage services.

8. LISTING RULES IMPLICATIONS

Major transaction

The Group's total commitment for the formation of the Joint Venture for the Acquisition is 50% of the aggregate of (i) the Consideration (after deducting HK\$3,000,000,000 being the amount assumed by the JV Company under the Facility Agreement (2021) and (ii) the provision of the Guarantees (which together amounts to 50% of HK\$7,948,000,000, or HK\$3,974,000,000). As one or more of the applicable Percentage Ratios in respect of the Group's total capital commitment in the JV Company (including the provision of the Guarantees) exceed 25% but all of the applicable Percentage Ratios are less than 100%, the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees) constitutes a major transaction for the Company under Chapter 14 of Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Written approval

Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of a general meeting. The Company has obtained written approval for the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees) in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders, namely, Tan Sri Dato' David CHIU, Ms. Nancy CHIU NG (spouse of Tan Sri Dato' David CHIU), Sumptuous Assets Limited and Modest Secretarial Services Limited (being companies controlled by Tan Sri Dato' David CHIU), who hold 23,023,223 Shares, 585,322 Shares, 1,183,360,003 Shares and 17,022 Shares, respectively, and altogether hold 1,206,985,570 Shares, representing approximately 50.02% of the entire issued share capital of the Company as at the date of the SPA.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had any material interest in the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees) as at the date of the SPA. As such, no Shareholder was required to abstain from voting if the Company was to convene a general meeting for the approval of the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees). Accordingly, no general meeting of the Company will be convened for the purpose of approving the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees).

Connected transaction

As at the date of the SPA, a subsidiary of NWD is a substantial shareholder of a non-wholly-owned subsidiary of the Company. Accordingly, NWD is a connected person of the Company at its subsidiary level (as defined under the Listing Rules). The formation of the Joint Venture for the Acquisition therefore constitutes a

LETTER FROM THE BOARD

connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, as (i) the Board has approved the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees); and (ii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees), including the total capital commitment of the Group in the Joint Venture, are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the formation of the Joint Venture for the Acquisition (including the possible provision of the Guarantees) is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the formation of Joint Venture for the Acquisition (including the possible provision of the Guarantees) as at the date of the SPA and as such no Directors had abstained from voting on the resolutions of the Board approving the formation of Joint Venture for the Acquisition (including the possible provision of the Guarantees).

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) have confirmed that the terms of formation of the Joint Venture for the Acquisition (including the provision of the Guarantees) including the total capital commitment of the Group in the Joint Venture, are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the formation of the Joint Venture for the Acquisition, the Directors would recommend the Shareholders to vote in favour of the resolution to approve the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees) at such general meeting.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approval from a closely allied group of Shareholders, namely, Tan Sri Dato' David CHIU, Ms. Nancy CHIU NG, Sumptuous Assets Limited and Modest Secretarial Services Limited and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the formation of the Joint Venture for the Acquisition (including the provision of the Guarantees).

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully
By Order of the Board
Far East Consortium International Limited
Wai Hung Boswell CHEUNG
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are disclosed in the annual reports and interim report of the Company which are available on the Company's website at www.fecil.com.hk and the website of the Stock Exchange at www.hkexnews.hk:

- (a) annual report of the Company for the year ended 31 March 2019 (pages 151 to 267). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730736.pdf>
- (b) annual report of the Company for the year ended 31 March 2020 (pages 119 to 239). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700580.pdf>
- (c) annual report of the Company for the year ended 31 March 2021 (pages 106 to 227). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300744.pdf>
- (d) interim report of the Company for the six months ended 30 September 2021 (pages 47 to 80). Please see below link to such interim report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1223/2021122300247.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at close of business on 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total borrowings with carrying amount of approximately HK\$30,571,000,000 of which HK\$20,279,000,000 are secured borrowings, details of which are as follows:

- (i) notes of the Group with the aggregate carrying amount of approximately HK\$4,581,000,000 (the aggregate principal amount denominated in US\$ and HK\$ of approximately US\$527,000,000 (equivalent to approximately HK\$4,107,000,000) and approximately HK\$474,000,000, respectively) which were unsecured and guaranteed by the Company;
- (ii) bank and other borrowings of the Group with the aggregate carrying amount of approximately HK\$25,812,000,000 (the aggregate principal amount of approximately HK\$25,917,000,000), of which HK\$5,533,000,000 (the corresponding principal amount of approximately HK\$5,546,000,000) were unsecured, and approximately HK\$20,279,000,000 (the corresponding principal amount of approximately HK\$20,371,000,000) were secured by the

Group's properties, and/or bank deposits or investment securities. Amongst these bank and other borrowings, borrowings with the aggregate carrying amount of approximately HK\$24,624,000,000 (the corresponding aggregate principal amount of approximately HK\$24,729,000,000) were guaranteed by the Company and/or its subsidiaries and a shareholder of a non-wholly owned subsidiary; and the remaining borrowings with the aggregate carrying amount of approximately HK\$1,188,000,000 (the corresponding aggregate principal amount of approximately HK\$1,188,000,000) were not guaranteed.

The difference between the principal amount and carrying amount of bank and other borrowings is the unamortised transaction costs namely, front-end fee. According to HKFRS 9 *Financial Instruments*, transaction costs that are directly attributable to the acquisition or issuance of financial liabilities are deducted from the carrying amount of the financial liabilities;

- (iii) other liabilities of the Group with the carrying amount of approximately HK\$7,000,000 were unsecured and not guaranteed;
- (iv) amounts due to shareholders of non-wholly owned subsidiaries of the Group with the carrying amount of approximately HK\$162,000,000, which were unsecured and not guaranteed;
- (v) amounts due to associates of the Group with the carrying amount of approximately HK\$8,000,000 which were unsecured and not guaranteed; and
- (vi) amount due to a related company of the Group with the carrying amount of approximately HK\$1,000,000 which were unsecured and not guaranteed.

Contingent liabilities

Legal proceedings, which were issued in the High Court of Justice in London, were served upon Ensign House (FEC) Limited (“EHFL”) and FEC Development Management Limited (both being indirect wholly-owned subsidiaries of the Company). The proceedings were instigated by Ensign House Limited (“EHL”). The claim which is made by EHL is stated as a claim for “damages and/or equitable compensation and/or an account of profits and/or a constructive trust and/or interest under statute and/or in equity and/or other relief”. The essence of the claim is that each of the defendants was involved in a breach of contract and/or breaches of other duties by using confidential information provided by or on behalf of EHL in connection with the acquisition by EHFL of the property known as Ensign House, Admiral's Way, Canary Wharf. As at 31 January 2022, the Directors are of the opinion, upon advised by the legal counsel, that the claim is not valid as there is no breach of contract and therefore these allegations of wrongdoing will be rigorously denied and the proceedings are being fully contested.

Lease liabilities

As at 31 January 2022, the Group as a lessee, had outstanding unpaid contractual lease payments which represent undiscounted lease payments in relation to the remaining lease terms of certain lease contracts. As at 31 January 2022, the Group had total lease liabilities of approximately HK\$441,000,000 which are secured by deposits or equipment or motor vehicles and unguaranteed.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding debt securities, term loans, mortgages, charges, debentures, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flows from operations and the available facilities and the effect of the formation of Joint Venture for the Acquisition, the Group will have sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF 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, gaming and related operations, securities and financial product investments, and provision of mortgage services.

The Group adopts a diversified regional strategy allowing the Group to take advance of property cycles in different countries including Mainland China, Hong Kong, Malaysia, Singapore, Australia, New Zealand, the United Kingdom and Continental Europe. It provides opportunities for the Group to acquire land at a lower cost from different markets at appropriate timing.

The Group's overall performance for the year ended 31 March 2021 was hampered by the outbreak of COVID-19 since the early of 2020. Many countries and cities were hit by unexpected and sporadic lockdowns and/or curfews and, travel was severely restricted or forbidden in numerous regions. For the year ended 31 March 2021, revenue declined year-on-year by 20.2% to HK\$5,944 million as compared with the year ended 31 March 2020, driven primarily by (i) the lower revenue from property development due to less completions and (ii) the adverse impact of the COVID-19 outbreak on the hotel, car park and gaming operations, mainly due to lockdowns and travel restrictions. Despite the challenging environment, the Group managed to be profitable with the profit attributable to shareholders of the Company standing at approximately HK\$543 million for the year ended 31 March 2021, an increase of 48.5% as compared with HK\$366 million for the year ended 31 March 2020. The Group continued to maintain a sound financial position with a comfortable level of liquidity with HK\$8.6 billion of cash and marketable securities available and a stable but a reduced net gearing at 54.9%. For the remaining of the year, the global economic uncertainties arising from the outbreak of COVID-19 are expected to remain and put pressure on the Group's operations across the regions it operates. The Group has and would continue to take measures to recalibrate its operations to ensure long-term sustainability. The Group would also selectively add to its development pipeline by allocating resources to regions where the Group sees long-term growth prospects and where the region's property cycle offers higher risk-adjusted return to the Group.

Throughout the COVID-19 pandemic, the Group took quick actions to reposition and adjust its operations and cost structure. At the same time, the Group remained focused on executing its strategy, including actively recycling assets and replenishing its land bank. Subsequently post the financial year ended 31 March 2021, the Group has benefited from the gradual economic recovery. During the six months ended 30 September 2021, revenue increased slightly to approximately HK\$3.1 billion compared to the same period of 2020. Furthermore, the Group continued to monetise non-core assets actively during the period. The Group disposed of Dorsett City London for £115 million on 30 June 2021 and recorded a gain on disposal of approximately HK\$547 million. In September 2021, the Group also entered into a sale and purchase agreement to sell 21 Anderson Road in Singapore, for S\$213 million; the transaction was completed on 1 November 2021. The

Group's profits therefore increased significantly, with profit before tax jumping to HK\$1,385 million, resulting in a year-on-year increase of 66.8%.

The Group remains vigilant and conservative given that the pandemic continues to impact the state of the global economy, and in particular the travel and hospitality industries. There is a large focus on keeping a lid on costs and expenses and executing at full pace the monetisation strategy to raise and recycle capital. The Group has and will continue to proactively manage its liabilities by repaying or refinancing them in the bank and bond markets. The cumulative presales value and unbooked contracted sales of the Group stood at HK\$14.1 billion as at 30 September 2021, providing significant visibility and capital for the years to come. The Group has successfully repositioned its hotel assets to target the quarantine hotel business, allowing its hotels to make a strong contribution to revenues and gross profits, especially in Hong Kong. Hopefully, the re-opening of the Hong Kong border with Mainland China as well as the rest of the world will benefit our hotel operations. The Group's hotel business will expand with 13 new hotels under development; a few are expected to contribute to the next growth phase of the Group as early as the second half of the financial year ended 31 March 2022. Overall, the Group is optimistic about its business prospects for the years to come. It has a solid balance sheet, an experienced team and businesses well-positioned to grow and navigate the current environment.

The Directors consider that with completion of the Acquisition will provide the Group with an opportunity to have a foothold in residential development in a prime area of the Kai Tak district in Hong Kong and continue diversifying its property development portfolio. The Joint Venture also serves as a platform for the Group to be able to work with other reputable developer in Hong Kong.

The following is the text of a report set out on pages II-1 to II-26, received from the Target Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this documents. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of Rich Fast International Limited (the "**Target Company**") set out on pages II-4 to II-26, which comprises the statement of financial position of the Target Company as at 30 June 2019, 2020, 2021 and 30 September 2021 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period from 26 October 2018 (date of incorporation) to 30 June 2019, each of the years ended 30 June 2020 and 2021 and the three months ended 30 September 2021 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Far East Consortium International Limited (the "**Company**") dated 21 March 2022 (the "**Circular**") in connection with the proposed acquisition of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountant's report, a true and fair view of the Target Company's financial position as at 30 June 2019, 2020, 2021 and 30 September 2021 and of the Target Company's financial performance and cash flows for each of the Track Record Period in accordance with the basis of presentation and preparation set out in note 2.1 respectively to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 30 September 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review

in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividend paid by the Target Company in respect of the Track Record Period.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

Chiu Wing Ning

Practising Certificate No.: P04920

21 March 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand dollar (HK\$'000) except when otherwise indicated.

(A) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period from 26 October 2018 (date of incorporation)		Three months ended		
		to 30 June 2019 HK\$'000	Years ended 30 June 2020 HK\$'000	2021 HK\$'000	30 September 2020 HK\$'000	2021 HK\$'000
	Notes				(unaudited)	
Other income	5	-	5	-	-	-
Selling and marketing costs		-	-	(225)	-	-
Administrative expenses		(6,590)	(13,134)	(2,055)	(549)	(1,203)
Loss before income tax	7	(6,590)	(13,129)	(2,280)	(549)	(1,203)
Income tax expense	9	-	-	-	-	-
Loss and total comprehensive loss for the period/year		(6,590)	(13,129)	(2,280)	(549)	(1,203)

The accompanying notes form part of the Historical Financial Information.

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 30 June		As at 30 September	
		2019	2020	2021	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Current assets					
Properties under development	11	9,041,611	9,286,724	9,786,066	9,869,788
Amount due from the immediate holding company	12	1	-	-	-
Amounts due from intermediate holding companies	12	2	-	-	-
Prepayment		-	-	3,499	3,909
Pledged deposits	13	225	23	-	-
Bank balances		-	-	18,372	28,731
		<u>9,041,839</u>	<u>9,286,747</u>	<u>9,807,937</u>	<u>9,902,428</u>
Current liabilities					
Trade payables	14	979	9,032	34,634	-
Amount due to ultimate holding company	12	-	-	1,612	-
Amount due to a non-controlling shareholder	12	2,137,904	-	-	-
Amounts due to intermediate holding companies	12	3,331,965	5,697,224	-	-
Amount due to immediate holding company	12	-	-	1,144,609	1,196,708
Amount due to a fellow subsidiary	12	16,360	-	-	-
Amount due to a related company	12	-	-	1,899	-
Accruals and other payables	15	9,183	36,981	9,958	11,698
Bank borrowings	16	3,552,038	3,563,229	2,940,000	3,020,000
		<u>9,048,429</u>	<u>9,306,466</u>	<u>4,132,712</u>	<u>4,228,406</u>
Net (liabilities)/assets		<u>(6,590)</u>	<u>(19,719)</u>	<u>5,675,225</u>	<u>5,674,022</u>
(Capital deficiency)/Equity					
Share capital	17	-*	-*	5,697,224	5,697,224
Accumulated losses		<u>(6,590)</u>	<u>(19,719)</u>	<u>(21,999)</u>	<u>(23,202)</u>
(Capital deficiencies)/Total equity		<u>(6,590)</u>	<u>(19,719)</u>	<u>5,675,225</u>	<u>5,674,022</u>

* Amount less than HK\$1,000.

The accompanying notes form part of the Historical Financial Information.

(C) STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$000 (Note 17)	Accumulated losses HK\$000	Total HK\$000
Share issued upon incorporation	–*	–	–*
Loss and total comprehensive loss for the period	–	(6,590)	(6,590)
At 30 June 2019 and 1 July 2019	–*	(6,590)	(6,590)
Loss and total comprehensive loss for the year	–	(13,129)	(13,129)
At 30 June 2020 and 1 July 2020	–*	(19,719)	(19,719)
Loss and total comprehensive loss for the year	–	(2,280)	(2,280)
Capitalisation of amounts due to intermediate holding companies	5,697,224	–	5,697,224
At 30 June 2021 and 1 July 2021	5,697,224	(21,999)	5,675,225
Loss and total comprehensive loss for the three months period	–	(1,203)	(1,203)
At 30 September 2021	<u>5,697,224</u>	<u>(23,202)</u>	<u>5,674,022</u>
At 1 July 2020	–*	(19,719)	(19,719)
Loss and total comprehensive loss for the three months period	–	(549)	(549)
At 30 September 2020 (unaudited)	<u>–*</u>	<u>(20,268)</u>	<u>(20,268)</u>

* Amount less than HK\$1,000.

The accompanying notes form part of the Historical Financial Information.

(D) STATEMENTS OF CASH FLOWS

	Period				
	from 26				
	October				
	2018				
	(date of				
	inception)		Three months ended		
	to 30 June	Years ended 30 June		30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Cash flows from operating activities					
Loss before tax	(6,590)	(13,129)	(2,280)	(549)	(1,203)
Adjustments for:					
Interest income	–	(5)	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before working capital changes	(6,590)	(13,134)	(2,280)	(549)	(1,203)
Increase in properties under development	(8,918,963)	(19,064)	(172,512)	(34,744)	(67,224)
Increase in an amount due from the immediate holding company	(1)	(1)	–	–	–
(Increase)/Decrease in amounts due from intermediate holding companies	(2)	2	–	–	–
Increase in prepayments	–	–	(3,499)	–	(410)
Increase/(Decrease) in trade payables	979	8,053	25,602	(9,032)	(34,634)
Increase in amount due to a fellow subsidiary	16,360	117,041	–	–	–
Increase/(Decrease) in accruals and other payables	<u>75</u>	<u>826</u>	<u>(8,845)</u>	<u>(12,803)</u>	<u>(4,220)</u>
Net cash flows used in operation	(8,908,142)	93,723	(161,534)	(57,128)	(107,691)
Interest received	<u>–</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash flows (used in)/from operating activities	<u>(8,908,142)</u>	<u>93,728</u>	<u>(161,534)</u>	<u>(57,128)</u>	<u>(107,691)</u>

	Period from 26 October 2018 (date of incorporation)				
	to 30 June	Years ended 30 June		Three months ended	
	2019	2020	2021	30 September	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Cash flows from investing activity					
Decrease in amounts due to fellow subsidiaries	-	(10,950)	-	-	-
Net cash flows used in investing activity	-	(10,950)	-	-	-
Cash flows from financing activities					
(Increase)/Decrease in pledged bank deposits	(225)	202	23	23	-
Proceeds from bank borrowings	3,562,250	979	139,000	-	80,000
Interest and other finance charges paid	(123,752)	(188,865)	(17,324)	(16,841)	(10,538)
Increase in amount due to non-controlling shareholder	2,137,904	-	-	-	-
Increase in amounts due to intermediate holding companies	3,331,965	104,906	-	-	-
Increase in amount due to an immediate holding company	-	-	58,207	76,783	48,588
Net cash flows generated from/(used in) financing activities	<u>8,908,142</u>	<u>(82,778)</u>	<u>179,906</u>	<u>59,965</u>	<u>118,050</u>
Net increase in cash and cash equivalents	-	-	18,372	2,837	10,359
Cash and cash equivalents at beginning of period/year	-	-	-	-	18,372
Cash and cash equivalents at end of period/year	<u>-</u>	<u>-</u>	<u>18,372</u>	<u>2,837</u>	<u>28,731</u>

The accompanying notes form part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Rich Fast International Limited (the “**Target Company**”) is a limited liability company incorporated in Hong Kong. The address of the registered office and the principal place of business of the Company is 30/F., New World Tower, 16-18 Queen’s Road Central, Hong Kong.

The Target Company is principally engaged in property development.

During the period from 26 October 2018 to 8 November 2018, the immediate holding company and ultimate holding company is GRL 18 Nominee Limited, which is incorporated in Hong Kong. For the period from 8 November 2018 to 27 July 2020, the directors consider the immediate holding company to be Gold Flair Holdings Limited, a company incorporated in the British Virgin Islands and the ultimate holding company to be Goldin Real Estate Financial Holdings Limited, a company incorporated in the British Virgin Islands. For the period from 27 July 2020 to 30 November 2020, the director consider the immediate holding company to be Yan You Limited, a company incorporated in the British Virgin Island and the ultimate holding company to be Kaisa Group Holdings Ltd., a company incorporated in the British Virgin Islands.

For the period from 30 November 2020, the directors consider the immediate holding company to be River Riches Limited, a company incorporated in the British Virgin Island and the ultimate holding companies to be Far East Consortium International Limited and New World Development Limited, companies incorporated in the British Virgin Islands and Hong Kong respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation and preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of presentation and preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

The Historical Financial Information have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

2.2 Basis of preparation*Issued but not effective HKFRSs*

The following new/revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Company.

Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
HKFRS 17	Insurance Contracts ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

The Target Company is the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. The adoption of the new and amended HKFRSs are not expected to have a material impact on the Target Company's Historical Financial Information based on the preliminary assessment of the Target Company.

2.3 Foreign currency translation

The Underlying Financial Statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Target Company. All Historical Financial Information presented in HK\$ has been rounded to the nearest thousand (HK\$'000) except otherwise stated.

Foreign currency transactions are translated into the functional currency of the Target Company using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.4 Properties under development

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

2.5 Financial instruments

Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest method if the assets are held for the collection of contractual cash flows which represent solely payments of principal and interest.

The Target Company's bank balances, amount due from immediate holding company and amounts due from intermediate holding companies fall into this category of financial instruments.

Interest income is recognised on a time proportion basis using the effective interest method.

Financial liabilities

Classification and measurement of financial liabilities

The Target Company's financial liabilities include trade payables, amounts due to ultimate holding company, a non-controlling shareholder, intermediate holding companies, immediate holding company, a fellow subsidiary, a related company and accruals and other payables and bank borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are reported in profit or loss are included in finance cost.

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.6 Impairment of financial assets

The Target Company applies the expected credit losses ("ECL") model on all financial assets that are subject to impairment.

The Target Company measures the loss allowance by applying the general approach where ECL are recognised in three stages. For these financial assets that have not deteriorated significantly in credit quality since initial recognition, the Target Company is

required to provide for credit losses that result from possible default events within the next 12 months (“**Stage 1**”). For those financial assets that have deteriorated significantly in credit quality since initial recognition, a loss allowance is required for credit loss that result from all possible default events over the expected life of the financial assets (“**Stage 2**”). Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collateral held by the Target Company).

Detailed analysis of the ECL assessment of other financial assets measured at amortised cost are set out in note 21.3.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held by banks, other short-term high liquidity investment with original maturities of three months or less.

2.8 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.9 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.10 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting year, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Target Company has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.11 Related parties

For the purpose of the financial statements, a party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company or of a parent of the Target Company.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Target Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entities and the Target Company are joint ventures of the same third party;

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of the employees either of the Target Company or an entity related to the Target Company and the sponsoring employers are also related to the Target Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for properties under development

The Target Company assesses the carrying amounts of properties under development according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 30 June 2019, 2020, 2021 and 30 September 2021, based on management's best estimates, no provision made for properties under development during the Track Record Period.

4. REVENUE AND SEGMENT INFORMATION

The Target Company did not derive any revenue during the Track Record Period.

5. OTHER INCOME

	Period from 26 October 2018 (date of incorporation) to			Three months ended 30 September	
	30 June 2019	Year ended 30 June		2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	–	5	–	–	–
	<u>–</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>

6. FINANCE COSTS

	Period from 26 October 2018 (date of incorporation) to 30 June			Three months ended 30 September	
	2019	Year ended 30 June		2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on secured interest-bearing bank borrowings	122,648	226,049	249,298	6,955	16,498
Less Interest capitalised (note 11)	(122,648)	(226,049)	(249,298)	(6,955)	(16,498)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

7. LOSS BEFORE INCOME TAX

	Period from 26 October 2018 (date of incorporation) to			Three months ended 30 September	
	30 June 2019	Year ended 30 June		2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration					
– Under-provision in prior years	–	–	100	–	–
– Current period/year	–*	80	120	–	–
	<u>–*</u>	<u>80</u>	<u>220</u>	<u>–</u>	<u>–</u>

* Auditor's remuneration for the period from 26 October 2018 (date of incorporation) to 30 June 2019 was borne by Goldin Financial Holdings Limited, an intermediate holding company.

8. DIRECTORS' REMUNERATION

Directors' emoluments, who are also considered as the key management personal of the Company, disclosed pursuant to the section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period from 26 October 2018 (date of incorporation) to 30 June 2019 HK\$'000	Year ended 30 June		Three months ended 30 September	
		2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
Fees	-	-	-	-	-
Other emoluments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Target Company did not generate any assessable profits arising in Hong Kong during the Track Record Period.

A reconciliation between tax expenses and accounting profit at applicable tax rates:

	Period from 26 October 2018 (date of incorporation) to 30 June 2019 HK\$'000	Year ended 30 June		Three months ended 30 September	
		2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
Loss before income tax	(6,590)	(13,129)	(2,280)	(549)	(1,203)
Tax on loss before income tax, calculated at the statutory tax rate of 16.5%	(1,087)	(2,166)	(376)	(91)	(198)
Tax effect of non-taxable income	-	(1)	-	-	-
Tax effect of tax losses not recognised	<u>1,087</u>	<u>2,167</u>	<u>376</u>	<u>91</u>	<u>198</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 30 June 2019, 2020, 2021 and 30 September 2021,, the Target Company had tax losses arising in Hong Kong of HK\$6,590,000, HK\$19,724,000 and HK\$22,004,000, and HK\$23,207,000, respectively, subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against the future taxable profits of the Target Company arising in Hong Kong. Deferred tax assets have not been recognised in respect of the losses as the directors consider it not probable that future taxable profit will be available against which the carry forward of the unused tax losses can be utilised.

10. DIVIDENDS

No dividend was declared nor paid during the Track Record Period.

11. PROPERTIES UNDER DEVELOPMENT

	2019	As at 30 June 2020	2021	As at 30 September 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at the beginning of period/year	–	9,041,611	9,286,724	9,786,066
Additions during the period/year	8,918,963	19,064	250,044	67,224
Finance costs capitalised (<i>note 6</i>)	122,648	226,049	249,298	16,498
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at the end of period/year	<u>9,041,611</u>	<u>9,286,724</u>	<u>9,786,066</u>	<u>9,869,788</u>

As at 30 June 2019, 2020, 2021 and 30 September 2021, the Target Company's properties under development with a net carrying amount of HK\$9,041,611,000, HK\$9,286,724,000, HK\$9,786,066,000 and HK\$9,869,788,000, respectively, were pledged to secure a banking facility granted to the Target Company (note 16).

As at 30 June 2019, 2020, 2021 and 30 September 2021, all of the properties under development are expected to be completed within normal operating cycle, recovered after more than twelve months from the end of each reporting period and included under current assets.

12. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANIES/A FELLOW SUBSIDIARY/A NON-CONTROLLING SHAREHOLDER/IMMEDIATE HOLDING COMPANY/A RELATED COMPANY

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due approximate to their fair values.

13. PLEDGED DEPOSITS

The bank deposits were pledged to secure the banking facilities granted to the Target Company (note 16).

Pledged deposits earned interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy bank with no recent history of default. The carrying amounts of the bank balances approximate to their fair values.

14. TRADE PAYABLES

Trade payables are non-interest-bearing and the payment terms are stipulated in the relevant contracts.

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June			As at 30 September
	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	9,108	36,160	5,738	11,578
Other payables	75	821	4,220	120
	<u>9,183</u>	<u>36,981</u>	<u>9,958</u>	<u>11,698</u>

16. BANK BORROWINGS

	As at 30 June			As at 30 September
	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liability				
Secured bank borrowings	<u>3,552,038</u>	<u>3,563,229</u>	<u>2,940,000</u>	<u>3,020,000</u>
Analysed into:				
Bank borrowings repayable:				
Within one year or on demand	<u>3,552,038</u>	<u>3,563,229</u>	<u>2,940,000</u>	<u>3,020,000</u>

Notes:

- (a) The bank facility bore interest at floating rate of HIBOR plus margin of 2.5% for the period from 26 October 2018 (date of incorporation) to 9 March 2020, HIBOR plus margin of 3.5% starting from 10 March 2020 and HIBOR plus margin of 2.13% starting from 24 November 2020, payable quarterly in arrears.

The bank facility is secured by, among others, the following:

- (i) a building mortgage over the properties under development with an aggregate carrying value of HK\$9,041,611,000, HK\$9,286,724,000, HK\$9,786,066,000 and HK\$9,869,788,000 at 30 June 2019, 2020, 2021 and 30 September 2021, respectively;
 - (ii) a debenture incorporating a first floating charge over all the undertaking, property and assets, and rights and revenue of the Target Company to secure the Target Company's obligations;
 - (iii) an assignment of sales proceeds and rental proceeds;
 - (iv) an assignment of insurance;
 - (v) a corporate guarantee given by a corporate guarantee given by an intermediate holding company of the Target Company, Goldin Financial Holdings Limited as at 30 June 2019 and 2020, an ultimate holding company of the Target Company, Kaisa Group Holdings Ltd. as at 30 June 2021 and 30 September 2021, respectively, for an amount up to 60% of the outstanding bank borrowing);
 - (vi) a personal guarantee given by Mr. Pan Sutong, JP as at 30 June 2019 and 2020, respectively. During the year ended 30 June 2020, Mr. Pan Sutong, JP who is beneficially interested in 40% of the issued share capital of the Target Company, for an amount up to 40% of the outstanding bank borrowings; and
 - (vii) shares charge over the entire issued share capital of the Target Company.
- (b) The carrying amount of the bank borrowings are denominated in Hong Kong dollars.

17. SHARE CAPITAL

	2019		As at 30 June 2020		2021		As at 30 September 2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:								
At beginning of the year/period	-	-	1	-*	1	-*	2	5,697,224
Issuance of share capital (notes 1 and 2)	1	-*	-	-	1	5,697,224	-	-
	1	-*	1	-*	2	5,697,224	2	5,697,224

* Amount less than HK\$1,000.

Notes:

- (1) The Target Company was incorporated with limited liability on 26 October 2018. On incorporation, 1 ordinary share of HK\$1 was issued for cash consideration to provide initial working capital of the Target Company.
- (2) On 17 July 2020, pursuant to the agreement signed between Yan You Limited, the then intermediate holding company, and the then ultimate shareholder, 1 ordinary share was issued to Gold Flair Holdings Limited to settle the amounts due to intermediate holding companies of HK\$5,697,224,000.

18. NOTES TO THE STATEMENT OF CASH FLOWS

18.1 Major non-cash transactions

- (i) As at 30 June 2019, 30 June 2020, 30 June 2021, and 30 September 2021, interest expenses of approximately HK\$9,108,000, HK\$36,080,000, HK\$5,618,000 and HK\$11,578,000, respectively, were accrued for. These items have no cash flow impact during the Track Record Period.
- (ii) The balance dues from immediate holding company and balances to fellow subsidiaries of approximately HK\$2,000 and HK\$122,451,000 had been taken up/transferred by an intermediate holding company during the year ended 30 June 2020.
- (iii) The balance due to a non-controlling shareholder of HK\$2,137,904,000 has been transferred or taken up by an intermediate holding company during the year end 30 June 2020.
- (iv) As at 30 June 2021, the bank borrowings of HK\$762,229,000, were settled by an immediate holding company. These items have no cash flow impact during the year ended 30 June 2021.
- (v) The balances due to intermediate holding companies of HK\$5,697,224,000 (note 17) were capitalised as capital during the year ended 30 June 2021.
- (vi) During the year ended 30 June 2021, the construction cost or interest expenses of properties under development of HK\$1,612,000, HK\$250,152,000, HK\$74,021,000 and HK\$1,899,000 were paid by ultimate holding company, immediate holding company and a related company, respectively.
- (vii) During the year ended June 2021, the interest expenses of HK\$12,284,000 was waived.
- (viii) As at 30 September 2021, the amounts due to ultimate holding company and a related company of approximately HK\$1,612,000 and HK\$1,899,000 respectively had been transferred/taken up by immediate holding company.

18.2 Change in liabilities arising from financing activities

	Amount due to a non- controlling shareholder <i>HK\$'000</i>	Amounts due to intermediate holding companies <i>HK\$'000</i>	Amount due to an immediate holding company <i>HK\$'000</i>	Accruals and other payables <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>
At 26 October 2018 (date of incorporation)	-	-	-	-	-
Changes from financing cash flows:					
Proceeds from bank borrowing	-	-	-	-	3,562,250
Increase in amounts due to intermediate holding companies	-	3,331,965	-	-	-
Increase in an amount due to a non-controlling shareholder	2,137,904	-	-	-	-
	<u>2,137,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,137,904	3,331,965	-	-	3,562,250
Other changes:					
Amortisation of loan procurement fee	-	-	-	-	(10,212)
Other operating activities	-	-	-	75	-
Non-cash items (<i>note i</i>)	-	-	-	9,108	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,108</u>	<u>-</u>
At 30 June 2019 and 1 July 2019	2,137,904	3,331,965	-	9,183	3,552,038
Changes from financing cash flows:					
Proceeds from bank borrowings	-	-	-	-	979
Increase in an amounts due to intermediate holding companies	-	104,906	-	-	-
	<u>-</u>	<u>104,906</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,137,904	3,436,871	-	9,183	3,553,017
Other changes:					
Amortisation of loan procurement fee	-	-	-	-	10,212
Other operating activities	-	-	-	826	-
Non-cash items (<i>notes i & iii</i>)	(2,137,904)	2,260,353	-	26,972	-
	<u>(2,137,904)</u>	<u>2,260,353</u>	<u>-</u>	<u>26,972</u>	<u>-</u>
At 30 June 2020 and 1 July 2020	-	5,697,224	-	36,981	3,563,229
Changes from financing cash flows:					
Proceeds from bank borrowings	-	-	-	-	139,000
Increase in an amount due to immediate holding company	-	-	58,207	-	-
	<u>-</u>	<u>-</u>	<u>58,207</u>	<u>-</u>	<u>-</u>
	-	5,697,224	58,207	36,981	3,702,229

	Amount due to a non- controlling shareholder <i>HK\$'000</i>	Amounts due to intermediate holding companies <i>HK\$'000</i>	Amount due to an immediate holding company <i>HK\$'000</i>	Accruals and other payables <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>
Other changes:					
Other operating activities	-	-	-	(8,845)	-
Non-cash items (<i>notes i, iii, iv, v & vi</i>)	-	(5,697,224)	1,086,402	(18,178)	(762,229)
At 30 June 2021 and 1 July 2021	-	-	1,144,609	9,958	2,940,000
Changes from financing cash flows					
Proceeds from bank borrowings	-	-	-	-	80,000
Increase in an amount due to immediate holding company	-	-	48,588	-	-
	-	-	1,193,197	9,958	3,020,000
Other changes:					
Other operating activities	-	-	-	(4,220)	-
Non-cash items (<i>notes i & viii</i>)	-	-	3,511	5,960	-
At 30 September 2021	-	-	1,196,708	11,698	3,020,000
At 1 July 2020	-	5,697,224	-	36,981	3,563,229
Changes from financing cash flows					
Increase in an amount due to immediate holding company	-	-	76,783	-	-
	-	5,697,224	76,783	36,981	3,563,229
Other changes:					
Other operating activities	-	-	-	(12,803)	-
Non-cash items (<i>notes i, v & vii</i>)	-	(5,697,224)	-	(23,796)	-
At 30 September 2020 (unaudited)	-	-	76,783	382	3,563,229

19. COMMITMENT FOR PROPERTY DEVELOPMENT EXPENDITURE

	As at 30 June			As at 30
	2019	2020	2021	September
	HK\$'000	HK\$'000	HK\$'000	2021
Contracted but not yet provided for property development activities	51,935	53,295	445,881	353,892

20. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these Historical Financial Information, the Target Company entered into the following material related party transactions with its related parties:

	Period from 26 October 2018 (date of incorporation) to 30 June 2019			Three months ended 30 September 2021	
	Year ended 30 June 2020	Year ended 30 June 2021	Year ended 30 June 2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee expense paid to a fellow subsidiary – Included in properties under development	15,827	18,938	–	–	–
Construction fee paid to a related company	–	–	1,229	–	–

- (b) No remuneration was paid to the directors and key management personnel of the Target Company during the Track Record Period.

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Target Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include interest rate risk, credit risk, and liquidity risk.

There has been no change to the types of the Target Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

21.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 30 June		As at 30 September	
	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost				
Amount due from the immediate holding company	1	-	-	-
Amounts due from intermediate holding companies	2	-	-	-
Pledged deposits	225	23	-	-
Bank balances	-	-	18,372	28,731
	<u>228</u>	<u>23</u>	<u>18,372</u>	<u>28,731</u>
Financial liabilities at amortised cost				
Trade payables	979	9,032	34,634	-
Amount due to ultimate holding company	-	-	1,612	-
Amount due to a non-controlling shareholder	2,137,904	-	-	-
Amounts due to intermediate holding companies	3,331,965	5,697,224	-	-
Amount due to immediate holding company	-	-	1,144,609	1,196,708
Amount due to a fellow subsidiary	16,360	-	-	-
Amount due to a related company	-	-	1,899	-
Accruals and other payables	9,183	36,981	9,958	11,698
Bank borrowings	<u>3,552,038</u>	<u>3,563,229</u>	<u>2,940,000</u>	<u>3,020,000</u>
	<u>9,048,429</u>	<u>9,306,466</u>	<u>4,132,712</u>	<u>4,228,406</u>

21.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company's interest rate risk arises primarily from bank borrowings. Bank borrowings bearing variable rates exposes the Target Company to cash flow interest rate risk. The exposure to interest rate risk for the Target Company's bank balances is considered immaterial.

The Target Company currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the management of the Target Company has closely monitored the interest rate exposure.

At 30 June 2019, 2020, 2021 and 30 September 2021, if the interest rate had been of 50 basis points higher/lower and all other variables held constant, the Target Company's loss after tax would increase/decrease by HK\$17,760,000, HK\$17,816,000, HK\$14,700,000 and HK\$15,100,000 respectively.

21.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Company. The Target Company's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Target Company's exposure to credit risk on recognised financial assets is limited to the carrying amount as summarised in note 21.1 above.

The credit risk on bank balances is considered negligible as the counterparty is a reputable international bank with high quality external credit ratings.

21.4 Liquidity risk

Liquidity risk relates to the risk that the Target Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Target Company is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Target Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Target Company's remaining undiscounted contractual maturities for its financial liabilities as at the end of each Track Record Period. When the creditors have a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Company can be required to pay. The contractual maturity analysis is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand <i>HK\$'000</i>	Total undiscounted amount <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 30 June 2019			
Trade payables	979	979	979
Amount due to a non-controlling shareholder	2,137,904	2,137,904	2,137,904
Amounts due to intermediate holding companies	3,331,965	3,331,965	3,331,965
Amount due to a fellow subsidiary	16,360	16,360	16,360
Accruals and other payables	9,183	9,183	9,183
Bank borrowings	3,562,250	3,562,250	3,552,038
	<u>9,058,641</u>	<u>9,058,641</u>	<u>9,048,429</u>
At 30 June 2020			
Trade payables	9,032	9,032	9,032
Amounts due to intermediate holding companies	5,697,224	5,697,224	5,697,224
Accruals and other payables	36,981	36,981	36,981
Bank borrowings	3,563,229	3,563,229	3,563,229
	<u>9,306,466</u>	<u>9,306,466</u>	<u>9,306,466</u>
At 30 June 2021			
Trade payables	34,634	34,634	34,634
Amount due to ultimate holding company	1,612	1,612	1,612
Amount due to immediate holding company	1,144,609	1,144,609	1,144,609
Amount due to a related company	1,899	1,899	1,899
Accruals and other payables	9,958	9,958	9,958
Bank borrowings	2,940,000	2,940,000	2,940,000
	<u>4,132,712</u>	<u>4,132,712</u>	<u>4,132,712</u>
At 30 September 2021			
Amount due to immediate holding company	1,196,708	1,196,708	1,196,708
Accruals and other payables	11,698	11,698	11,698
Bank borrowings	3,089,074	3,089,074	3,020,000
	<u>4,297,480</u>	<u>4,297,480</u>	<u>4,228,406</u>

Bank borrowings with a repayment on demand clause are included in the “Within 1 year or on demand” time band in the above maturity analysis. As at 30 June 2019, 2020, 2021 and 30 September 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$3,552,038,000, HK\$3,563,229,000 HK\$2,940,000,000 and HK\$3,020,000,000. Taking into account the Target Company’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid 0.75, 0.08, 3.41 and 3.16 years after the end of each Track Record Period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis — Bank loans with a repayment on demand clause based on scheduled repayments

	Within 1 year <i>HK\$'000</i>	Over 1 year but within 5 years <i>HK\$'000</i>	Total undiscounted amount <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 30 June 2019	3,590,484	–	3,590,484	3,552,038
At 30 June 2020	3,566,911	–	3,566,911	3,563,229
At 30 June 2021	82,953	2,940,000	3,022,953	2,940,000
At 30 September 2021	68,533	3,020,000	3,088,533	3,020,000

21.5 Fair value measurements

The fair values of the Target Company’s financial assets and financial liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

22. CAPITAL MANAGEMENT

The Target Company’s capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return for shareholders by pricing goods and services commensurately with the level of risks.

The Target Company actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholder, issue new shares, raise new debt financing or sell assets to reduce debt.

23. EVENT AFTER THE REPORTING PERIOD

On 24 November 2021, the immediate holding company entered into a Sale and Purchase agreement with an independent third party, River Riches Limited. Pursuant to the agreement, the immediate holding company agreed to sell and River Riches Limited agreed to purchase 100% equity interest in the Company (the “Transaction”). The Transaction was completed on 30 November 2021.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2021 and up to the date.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma statement of assets and liabilities of the Company and its subsidiaries (collectively referred to as the “Group”) (“Unaudited Pro Forma Financial Information”), is prepared by the directors of the Company (the “Directors”) to illustrate the effect of the formation of the JV Company (the “Transaction”) for the Acquisition, as if the Transaction had been completed on 30 September 2021. Details of the Transaction and the Acquisition are set out in the section headed “Letter from the Board” contained in this circular.

The Unaudited Pro Forma Financial Information is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate the financial position of the Group as if the Transaction had taken place on 30 September 2021.

The Unaudited Pro Forma Financial Information is prepared based on the information on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021, which has been extracted from the published interim report of the Company for the six months ended 30 September 2021 after giving effects to pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed as at 30 September 2021 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction of the historical financial information of the Group, as set out in the published interim report of the Company for the six months ended 30 September 2021, and other financial information included elsewhere in the circular.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER COMPLETION
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UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Group as at 30 September 2021 HK\$'000 (unaudited) <i>Note 1</i>	Proforma adjustments			Unaudited pro forma total for the Group HK\$'000 (unaudited)
		HK\$'000 <i>Note 2</i>	HK\$'000 <i>Note 3</i>	HK\$'000 <i>Note 4</i>	
Non-current Assets					
Investment properties	7,698,205	-	-	-	7,698,205
Property, plant and equipment	11,857,836	-	-	-	11,857,836
Goodwill	68,400	-	-	-	68,400
Interests in associates	1,753,497	-	-	-	1,753,497
Interests in joint ventures	1,304,992	-*	948,000	-	2,252,992
Investment securities	1,474,305	-	-	-	1,474,305
Deposits for acquisition of property, plant and equipment	97,036	-	-	-	97,036
Amounts due from joint ventures	228,976	-	-	-	228,976
Amounts due from associates	62,864	-	-	-	62,864
Amount due from an investee company	119,995	-	-	-	119,995
Loan receivables	203,377	-	-	-	203,377
Pledged deposits	7,814	-	-	-	7,814
Deferred tax assets	195,523	-	-	-	195,523
Other asset	13,500	-	-	-	13,500
	25,086,320	-	948,000	-	26,034,320
Current Assets					
Properties for sale					
Completed properties	2,103,833	-	-	-	2,103,833
Properties under development	12,314,248	-	-	-	12,314,248
Other inventories	9,321	-	-	-	9,321
Debtors, deposits and prepayments	1,208,854	-	-	-	1,208,854
Customers' deposits under escrow	280,373	-	-	-	280,373
Loan receivables	5,825	-	-	-	5,825
Contract costs	240,032	-	-	-	240,032
Amounts due from joint ventures	167,275	-	-	-	167,275
Amounts due from associates	16,406	-	-	-	16,406
Amount due from a shareholder of a non-wholly owned subsidiary	108,075	-	-	-	108,075
Tax recoverable	45,424	-	-	-	45,424
Investment securities	2,123,910	-	-	-	2,123,910
Derivative financial instruments	4,770	-	-	-	4,770
Pledged deposits	733,830	-	-	-	733,830
Restricted bank deposits	13,764	-	-	-	13,764
Deposit in a financial institution	49,742	-	-	-	49,742
Bank balances and cash	6,235,284	-*	(948,000)	(1,300)	5,285,984
	25,660,966	-	(948,000)	(1,300)	24,711,666
Investment properties held for sale	1,216,230	-	-	-	1,216,230
Other assets held for sale	33,262	-	-	-	33,262
	26,910,458	-	(948,000)	(1,300)	25,961,158

	The Group as at 30 September 2021 HK\$'000 (unaudited) Note 1	Proforma adjustments			Unaudited pro forma total for the Group HK\$'000 (unaudited)
		HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	
Current Liabilities					
Creditors and accruals	1,546,487	-	-	-	1,546,487
Contract liabilities	725,586	-	-	-	725,586
Lease liabilities	80,443	-	-	-	80,443
Amounts due to related companies	817	-	-	-	817
Amounts due to associates	8,298	-	-	-	8,298
Amounts due to shareholders of non-wholly owned subsidiaries	170,704	-	-	-	170,704
Derivative financial instruments	37,466	-	-	-	37,466
Tax payable	752,586	-	-	-	752,586
Dividend payable	359,262	-	-	-	359,262
Bank and other borrowings	10,587,082	-	-	-	10,587,082
	<u>14,268,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,268,731</u>
Liabilities associated with investment properties held for sale	583,000	-	-	-	583,000
	<u>14,851,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,851,731</u>
Net Current Assets	12,058,727	-	(948,000)	(1,300)	11,109,427
Total Assets less Current Liabilities	37,145,047	-	-	(1,300)	37,143,747
Non-current Liabilities					
Lease liabilities	416,062	-	-	-	416,062
Derivative financial instruments	12,773	-	-	-	12,773
Notes	4,573,414	-	-	-	4,573,414
Bank and other borrowings	13,443,182	-	-	-	13,443,182
Deferred tax liabilities	1,064,127	-	-	-	1,064,127
Other liabilities	121,473	-	-	-	121,473
	<u>19,631,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,631,031</u>
Net Assets	<u>17,514,016</u>	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>17,512,716</u>

* Less than HK\$1,000

Notes:

- (1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 as set out in the published interim report of the Company for the six months ended 30 September 2021.
- (2) The adjustment represents the completion of share subscription of one share in the JV Company, representing 50% of its enlarged issued share capital for a nominal subscription price of US\$1, by Modern Culture Limited, a wholly-owned subsidiary of New World Development Company Limited (“NWD”). The JV Company was acquired by Far East Consortium Limited, a wholly-owned subsidiary of the Company and became a wholly-owned subsidiary of Far East Consortium Limited. The JV Company is an investment holding company, which has no significant assets and liabilities on the date of share subscription. Upon the completion of the share subscription by Modern Culture Limited, the JV Company ceased to be a subsidiary of the Company and is accounted for as a joint venture of the Group.
- (3) The adjustments represent an unsecured and interest-free shareholder loan without fixed terms of repayment at a principal amount of approximately HK\$948,000,000 to be provided by the Group to finance the Acquisition on a pro rata interest to the shareholding, as part of the total commitment for the formation of JV Company for the Acquisition (“Commitment”).

In relation to the remaining part of Commitment, representing provision of Guarantees by the Group of approximately HK\$3,974,000,000, no liability for the financial guarantee contract has been recognised as the directors of the Company considered the fair value of the financial guarantee contract is insignificant.

- (4) The adjustment represents transaction costs (including professional fees to legal advisors, reporting accountants, properties valuer and other expenses) of approximately HK\$1,300,000 to be borne by the Group. The expenses are charged to profit or loss directly and it is assumed that the expenses would have been settled by cash if the Transaction had been completed on 30 September 2021.
- (5) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

The following is the text of a report, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Far East Consortium International Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Far East Consortium International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2021 and related notes as set out on pages III-2 to III-4 of the circular issued by the Company dated 21 March 2022 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-2 to III-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the formation of a joint venture (the "Transaction") for the acquisition of a property in Kai Tak on the Group's financial position as at 30 September 2021 as if the Transaction had taken place at 30 September 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 September 2021, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 21 March 2022

Set out below is the management discussion and analysis of the Target Company's operation and financial performance for the three financial years ended 30 June 2021 and the three months ended 30 September 2021 (the "Track Record Period").

OVERVIEW

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is principally engaged as an investment holding company which is the legal and beneficial owner of the Property. Immediately prior to the Completion, the Target Company is a directly wholly-owned subsidiary of the Vendor.

FINANCIAL REVIEW

As at 30 June 2019, the carry amount of properties under development, including the land premium paid was approximately HK\$9,042 million. The Property was mainly funded by (i) interest free advances from a non-controlling shareholder and an intermediate holding company in a total sum of approximately HK\$5,470 million, and (ii) a secured interest bearing bank borrowing of approximately HK\$3,552 million. No revenue was recognised during the period from the date of incorporation to 30 June 2019. The net liabilities of the Target Company as at 30 June 2019 were approximately HK\$7 million.

The Property was under planning and design during the financial year ended 30 June 2020. As at 30 June 2020, the carry amount of properties under development was approximately HK\$9,287 million. The Property continued to be funded mainly by (i) interest free advances from an intermediate holding company of approximately HK\$5,697 million, and (ii) a secured interest bearing bank borrowing of approximately HK\$3,563 million. No revenue was recognised during the financial year ended 30 June 2020. The net liabilities of the Target Company as at 30 June 2020 increased to HK\$18 million due to administrative expenses incurred during the financial year.

Piling work commenced during the financial year ended 30 June 2021. As at 30 June 2021, the carry amount of properties under development increased to approximately HK\$9,786 million. The Property was funded mainly by (i) interest free advances from its immediate parent company of approximately HK\$1,145 million, (ii) a secured interest bearing bank borrowing of approximately HK\$2,940 million; and (iii) capitalisation of advances from an intermediate holding companies of approximately HK\$5,697 million. No revenue was recognised during the financial year ended 30 June 2021. The net asset value of the Target Company as at 30 June 2021 was amounted to HK\$5,674 million due to the increase in share capital.

Construction work continued post the financial year ended 30 June 2021. As at 30 September 2021, the carry amount of properties under development further increased to approximately HK\$9,870 million. The Property continued to be funded by (i) interest free advances from its immediate parent company of approximately HK\$1,197 million, (ii) a secured interest bearing bank borrowing of approximately HK\$3,020 million; and (iii) share capital of 5,697 million. Since there was no settlement of sales of the Property, no revenue was therefore recognised during the 3 months ended 30 September 2021. Administrative expenses of approximately HK\$1 million was incurred, resulting a loss for the period. The net asset value of the Target Company as at 30 September 2021 was amounted to HK\$5,674 million.

Given that presales of the Property has not yet launched, the Property was funded by advances from related companies of the Target Company and a bank borrowing. The bank borrowing, advances from related group companies, cash and cash equivalent were dominated in HK\$. The Property, assets held by the Target Company and the shares of the Target Company were secured for the bank borrowing. No hedging arrangement has been entered as at 30 September 2021. There is no exposure to fluctuation to exchange rates because the development and financial report are carried out in HK\$.

The Target Company did not have employees as at 30 June 2019, 30 June 2020, 30 June 2021 and 30 September 2021, respectively.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Knight Frank, an independent professional valuer, in connection with the valuation as at 31 January 2022 of the property interests held by the Target Company.



Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong
21 March 2022

The Board of Directors
Far East Consortium Limited
16/F, Far East Consortium Building,
121 Des Voeux Road, Central,
Hong Kong

Dear Sirs,

VALUATION IN RESPECT OF NEW KOWLOON INLAND LOT NO 6591 (THE "PROPERTY")

In accordance with the instructions to us from Far East Consortium Limited (hereinafter referred to as the "**Company**"), together with its subsidiaries, hereinafter together referred to as the "**Group**"), to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 31 January 2022 (the "**Valuation Date**") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Basis of Valuation

In arriving at our opinion of the market value, we followed "The HKIS Valuation Standards 2020" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Chartered Surveyors ("**RICS**"). Under the said standards, Market Value is defined as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS.

Our valuation is based on 100% of the leasehold interest of the Property.

Valuation Methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have considered the Market Approach as relevant land sale transactions in the subject area are available in the open market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the Property. When selecting the comparable transactions, we have considered the nature, location, size and development potential of each site.

Expertise

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Ms Natalie Wong MRICS MHKIS RICS Registered Valuer who has over 15 years of valuation experiences. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation — Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not

subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied on a very considerable extent on information given by the Company. We have accepted advice given to us on such matters as construction cost estimation, statutory notice, easement, land tenure and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning this Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the Property on 4 January 2022 by Ms Natalie Wong MRICS MHKIS RICS Registered Valuer. Nevertheless, we have assumed in our valuations that the Property was in satisfactory order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property to be valued

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon areas provided to us. We have also assumed that the measurements and dimensions shown on the documents handed to us are correct and in approximations only.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory condition and contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, expected only where otherwise stated.

Valuation assumption

We have assumed that the registered owner(s) of the Property is free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent.

In the course of our valuation, we have made certain assumptions which collectively may have a material impact on our valuation, and these are noted as follows:

- The Property has good and proper title and was freely transferable in the market as at the Valuation Date and its title is being free from any material encumbrances and defect;

- We have assumed that the registered owner is the legal and beneficial owner of the Property and is entitled to own, occupy, lease, transfer and mortgage the Property without any restriction.

Limitations on Liability

Knight Frank's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this valuation is limited to HK\$50 million. Knight Frank accepts no liability for any indirect or consequential loss or for loss of profits.

We confirm that we hold adequate and appropriate Professional Indemnity Insurance cover for this instruction.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

In our valuations, we have prepared the valuation based on information and data available to us as at the Valuation Date. While current market is influenced by various policies and regulations, increased complexity in social movements and international trade tensions geopolitics has also resulted in more fluctuations in real estate market. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Natalie Wong

*MHKIS MRICS RICS Registered Valuer
Senior Director, Valuation & Advisory*

Alnwick Chan

*FRICS FHKIS RPS(GP) RICS Registered Valuer
Managing Director, Professional Services*

Note: Ms Natalie Wong is a qualified valuer who has over 15 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macao and Asia Pacific region.

Mr Alnwick Chan is a qualified valuer who has over 30 years of extensive experiences in valuation of properties in Hong Kong.

PROPERTY HELD FOR DEVELOPMENT

VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2022
New Kowloon Inland Lot No 6591 ("NKIL 6591"), Kai Tak, Kowloon	NKIL 6591 is a development site situated on Shing Kai Road, with a registered site area of 104,497 sq ft (9,708 sq m). A residential development with car park facilities is proposed to be built on the Property. The proposed gross floor area ("GFA") of the Property is approximately 574,733 sq ft (53,394 sq m). The estimated completion year of the proposed development is 2024. The Property is held under Conditions of Sale No 20332 for a term of 50 years from 18 December 2018. The Property is subject to an annual Government rent which is equivalent to 3% of the rateable value for the time being of the Property.	The Property is a development site under construction as at the Valuation Date.	HK\$10,270,000,000 (Hong Kong Dollars Ten Billion Two Hundred and Seventy Million)

Notes:

- (1) Pursuant to the Conditions of Sale No 20332, the Property Interest was awarded in a tender at a premium of HK\$8,906,758,888 14 November 2018.
- (2) Pursuant to records obtained from the Land Registry, the registered owner of the Property is Rich Fast International Limited as at the Valuation Date.
- (3) At the time of our recent search, the Property is subject to the following encumbrances:
 - (i) Building mortgage in favour of Nanyang Commercial Bank Limited in a consideration of all moneys vide memorial no 20120402120246 dated 26 November 2020.
- (4) The Property falls within the "Residential (Group B) 4" zone on the Draft Kai Tak Outline Zoning Plan No S/K22/7 exhibited on 10 December 2021.
- (5) The use and development of the Property are governed by Conditions of Sale No 20332. The whole of the documents should be noted, but the following conditions are of particular relevance:

“The lot or any part thereof or any building or part of any building erected or to be erected thereon shall not be used for any purpose other than for private residential purposes.”

- (6) The estimated total construction cost (including professional fees) of the Property is approximately HK\$2,897,000,000. The total cost incurred up to the Valuation Date is approximately HK\$471,000,000, as advised by the Client.
- (7) The estimated gross development value (“GDV”) of the proposed development on the Property upon completion as at existing government lease restriction as at the Valuation Date is in the sum of approximately HK\$15,400,000,000.
- (8) In our valuation, we have assumed the following:
- (i) The registered owners of the Property are the legal and beneficial owners and are entitled to occupy, let, mortgage and redevelop the Property without any restriction.
- (ii) The Property is planned to be developed into a residential development with parking facilities. We assumed that all planning and construction permits and approvals have been obtained.
- (9) The following comparable transactions were considered in our valuation:

Ref No	Transaction Period	Address	Zoning	Consideration (HK\$) (Approx)	Site Area (sq ft)	Maximum Total GFA (sq ft)	AV (HK\$/sq ft)
C1	May-19	NKIL 6552 at Kai Tak Area 4C, Site 2, Kai Tak, Kowloon	Residential (Group B) 5	\$12,590,000,000	105,110	641,168	\$19,636
C2	Jan-19	NKIL 6551 at Kai Tak Area 4C, Site 3, Kai Tak, Kowloon	Residential (Group B) 4	\$11,260,000,000	117,930	648,617	\$17,360
C3	Feb-21	NKIL 6604 at Kai Tak Area 4E, Site 2, Kai Tak, Kowloon	Residential (Group B) 4	\$10,280,000,000	117,844	648,143	\$15,861

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

I. Long position in the Shares

Name of Director	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital ^(v)
David CHIU	Beneficial owner	23,023,223	0.95%
	Interest of spouse	585,322 ⁽ⁱ⁾	0.02%
	Interest of controlled corporations	1,219,616,025 ⁽ⁱ⁾	50.41%
Cheong Thard HOONG	Beneficial owner	13,814,265	0.57%
	Joint interest	496,184 ⁽ⁱⁱ⁾	0.02%
Dennis CHIU	Beneficial owner	4,984	0.00%
	Interest of controlled corporations	3,893,575 ⁽ⁱⁱⁱ⁾	0.16%
	Joint interest	2,139,261 ^(iv)	0.09%
Wing Kwan Winnie CHIU	Beneficial owner	78,602	0.00%

Notes:

- (i) 1,219,599,003 shares were held by Sumptuous Assets Limited and 17,022 shares were held by Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David CHIU and 585,322 shares were held by Ms. Nancy CHIU NG, spouse of Tan Sri Dato' David CHIU.
- (ii) 496,184 shares were held by Mr. Cheong Thard HOONG jointly with his spouse, Ms. Pei Chun TENG.
- (iii) 3,893,575 shares were held by Max Chain Holdings Limited, a company controlled by Mr. Dennis CHIU and his brother Mr. Daniel Tat Jung CHIU.
- (iv) 2,139,261 shares were held by Mr. Dennis CHIU jointly with his spouse, Ms. Lee Keng LEOW.
- (v) The percentage represents the number of ordinary shares interested divided by the Company's issued shares as at the Latest Practicable Date.

II. Debentures

As at the Latest Practicable Date, Tan Sri Dato' David CHIU was deemed to have an interest in (i) the 7.375% USD Senior Guaranteed Perpetual Capital Notes issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD9,000,000 of which USD5,000,000 was held by Tan Sri Dato' David CHIU and USD4,000,000 was held by his spouse, Ms. Nancy CHIU NG, and (ii) the 5.1% USD Medium Term Notes 2024 issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD4,000,000 of which USD1,000,000 was held by Tan Sri Dato' David CHIU and USD3,000,000 was held by his spouse, Ms. Nancy CHIU NG.

As at the Latest Practicable Date, Mr. Cheong Thard HOONG was deemed to have an interest in the 4.5% USD Medium Term Notes 2023 issued by the Company in the principal amount of USD1,000,000 of which USD300,000 was held by Mr. Cheong Thard HOONG and USD700,000 was held by Mr. Cheong Thard HOONG jointly with his spouse, Ms. Pei Chun TENG.

As at the Latest Practicable Date, Ms. Wing Kwan Winnie CHIU has an interest in (i) the 4.5% USD Medium Term Notes 2023 issued by the Company in the principal amount of USD400,000, (ii) the 7.375% USD Senior Guaranteed Perpetual Capital Notes issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD1,000,000, and (iii) the 5.1% USD Medium Term Note 2024 issued by FEC Finance Limited, a wholly owned subsidiary of the Company in the principal amount of USD3,000,000.

B. Associated corporations*Long position in the ordinary shares*

Name of Director	Name of associated corporation	Capacity	Number of ordinary share(s) interested	Approximate % of the relevant issued share capital
David CHIU	Sumptuous Assets Limited	Interest of controlled corporations	1 ⁽ⁱ⁾	100% ⁽ⁱⁱ⁾
Cheong Thard HOONG	BC Investment Group Holdings Limited	Beneficial owner	792,383	3.46% ⁽ⁱⁱⁱ⁾
Craig Grenfell WILLIAMS	BC Investment Group Holdings Limited	Beneficial owner	254,112	1.11% ⁽ⁱⁱⁱ⁾
	Care Park Group Pty. Ltd.	Beneficiary of a discretionary trust	825 ^(iv)	8.25% ^(v)

Notes:

- (i) 1 share was held by Far East Organization (International) Limited, a company controlled by Tan Sri Dato' David CHIU.
- (ii) The percentage represents the number of ordinary shares interested divided by Sumptuous Assets Limited's issued shares as at the Latest Practicable Date.
- (iii) The percentage represents the number of ordinary shares interested divided by BC Investment Group Holdings Limited's issued shares as at the Latest Practicable Date;
- (iv) These shares in Care Park Group Pty. Ltd. were held by Chartbridge Pty Ltd in its capacity as the trustee of the Craig Williams Family Trust, and Mr. Craig Grenfell WILLIAMS, as a beneficiary of the Craig Williams Family Trust, was deemed to be interested in these shares.
- (v) The percentage represents the number of ordinary shares interested divided by Care Park Group Pty. Ltd.'s issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or is deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company as recorded in the register at the Company required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate % of the Company's issued share capital ⁽ⁱⁱⁱ⁾
Sumptuous Assets Limited	Beneficial owner	1,219,599,003 ⁽ⁱ⁾ (long position)	50.40%
Deacon Te Ken CHIU	Beneficial owner	13,022,647 (long position)	0.54%
	Interest of controlled corporations	140,942,693 ⁽ⁱⁱ⁾ (long position)	5.82%
	Interest of spouse	1,624,301 ⁽ⁱⁱ⁾ (long position)	0.07%

Notes:

- (i) The interests of Sumptuous Assets Limited were also disclosed as the interests of Tan Sri Dato' David CHIU in the above section headed "Disclosure of Interests — Directors and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations". Tan Sri Dato' David CHIU is a director of Sumptuous Assets Limited.
- (ii) 140,942,693 shares were held by various companies under Mr. Deacon Te Ken CHIU's estate and 1,624,301 shares were held by Mrs. Ching Lan JU CHIU, spouse of Mr. Deacon Te Ken CHIU. Mr. Deacon Te Ken CHIU passed away on 17 March 2015 and his interests in the ordinary shares of the Company forms part of his estate.
- (iii) The percentage represents the number of ordinary shares interested divided by the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than any Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept under Section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors (not being the independent non-executive Directors) nor their respective close associates are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

6. LITIGATION

Save as disclosed in the paragraph headed "2. Statement of indebtedness — Contingent liabilities" in Appendix I to this circular, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

- (a) the sale and purchase agreement dated 15 June 2021 entered into between Mazuma Holdings Limited and Dorsett Hospitality (UK) Ltd (both being indirect wholly-owned subsidiaries of the Company) as sellers, Aldgate Hotel Bidco Limited as purchaser and the Company as guarantor in relation to, among other things, the sale of the entire issued share capital of Elite Region Limited and Dorsett City London Limited, being the owner and the operator of the Dorsett City London Hotel respectively at an aggregate consideration of

£115,000,000 (subject to adjustment) less the amount payable by Elite Region Limited under a facility agreement dated 18 September 2015 and the amount payable by Elite Region Limited to Mazuma Holdings Limited under the shareholder's letter from Mazuma Holdings Limited to Elite Region Limited dated 24 November 2015;

- (b) the settlement agreement dated 27 July 2021 entered into between Guangdong Trust Real Estate Development Co., Ltd.* (廣東省信託房產開發有限公司), Star Bridge Development Limited (an indirect wholly-owned subsidiary of the Company), Guangzhou Dong Qiao Real Estate Development Co., Ltd.* (廣州市東橋房地產開發有限公司) (a company indirectly held as to 85% by the Company) and Guangzhou Wanxi Enterprise Management Co., Ltd.* (廣州市萬溪企業管理有限公司), pursuant to which (i) Guangzhou Dong Qiao Real Estate Development Co., Ltd.* (廣州市東橋房地產開發有限公司) will be wound up, and (ii) the mandatory enforcement procedure of the arbitral award under case number (2008) Sui Zhong Fa Zhi Zi No. 1646 ((2008)穗中法執字第1646號) and the appeal under case number (2020) Yue 0103 Min Chu No. 8853 ((2020)粵0103民初 8853號) in relation to the land parcel numbered Sui Fu Guo Yong [2004] No. 105 (穗府國用[2004]105號地塊) in Guangzhou will be withdrawn at a consideration of RMB408,000,000 paid by Guangdong Trust Real Estate Development Co., Ltd.* (廣東省信託房產開發有限公司) to Star Bridge Development Limited;
- (c) the sale and purchase agreement dated 17 September 2021 entered into between Advance Delight Global Limited (an indirect wholly-owned subsidiary of the Company) as the vendor, Kheng Leong Company (H.K.) Limited as the purchaser, Far East Consortium Limited (an indirect wholly-owned subsidiary of the Company) as the guarantor and the Company in relation to, among other things, the sale of all the issued and paid-up shares of Highest Reach Investments Limited (峰達投資有限公司), a company through its subsidiaries owned a freehold condominium development situated on 21 Anderson Road in Singapore, at an aggregate consideration of S\$213,000,000 (subject to adjustment);
- (d) the development agreement dated 21 October 2021 entered into between Drakar Limited (an indirect wholly-owned subsidiary of the Company) as the developer, Far East Consortium Limited (an indirect wholly-owned subsidiary of the Company) as the developer's guarantor, Affinity Sutton Professional Services Limited as the purchaser and Clarion Housing Association Limited as the purchaser's guarantor in relation to, among other things, the grant with full title guarantee of the lease of the affordable housing units to be built at Consort Place, London, at a consideration of £42,649,685.27 (inclusive of value added tax);
- (e) the MOA;
- (f) the SPA; and

- (g) the sale and purchase agreement dated 6 December 2021 entered into between Far East Consortium Limited (an indirect wholly-owned subsidiary of the Company) as the seller, the Company as the seller's guarantor, CLP Properties Limited as the purchaser and CLP Holdings Limited as the purchaser's guarantor in relation to, among other things, the sale of the entire issued share capital of Sanon Limited, which is the legal and beneficial owner of the land situated at Shing Kai Road adjoining Kai Tak Sports Park Kai Tak, Kowloon, Hong Kong, at a consideration of HK\$3,380,000,000 (subject to adjustment).

8. QUALIFICATION AND CONSENT OF EXPERT

The qualifications of the experts who have been named in this circular or have given opinions or advices which are contained in this circular are set out below:

Name	Qualification
Grant Thornton	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
Knight Frank	Independent property valuer

- (a) As at the Latest Practicable Date, none of Grant Thornton, Deloitte Touche Tohmatsu and Knight Frank had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, none of Grant Thornton, Deloitte Touche Tohmatsu and Knight Frank had any direct or indirect interest in any assets which had been, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group.
- (c) Each of Grant Thornton, Deloitte Touche Tohmatsu and Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its report and/or references to its name in the form and context in which it appears.

9. GENERAL

- (a) The company secretary of the Company is Mr. Wai Hung Boswell CHEUNG. Mr. Wai Hung Boswell CHEUNG is a non-practicing member of the Hong Kong Institute of Certified Public Accountants and a qualified accountant of CPA Australia.

- (b) The registered office of the Company is at P.O. Box 1043, Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands.
- (c) The principal office of the Company is situated at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.
- (d) The Company's share registrar and transfer office in Hong Kong is Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS ON DISPLAY

The following documents will be published on (i) the website of the Company (www.fecil.com.hk) and (ii) the website of the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular:

- (a) the SPA;
- (b) the MOA;
- (c) the accountants' report of the Target Company, the text of which is set out in Appendix II to this circular;
- (d) the report on the unaudited pro forma financial information of the Group after the completion of the Acquisition, the text of which is set out in Appendix III to this circular;
- (e) the property valuation report on the Property, the text of which is set out in Appendix V to this circular; and
- (f) the letters of consent referred to under the paragraph headed "Qualification and Consent of Expert" in this appendix.

This circular, in both English and Chinese versions, is available on the Company's website at www.fecil.com.hk.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this circular since both languages are bound together into one booklet.