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FAR EAST CONSORTIUM INTERNATIONAL LIMITED

遠東發展有限公司*

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURES FOR ACQUISITION OF HOTEL IN SINGAPORE

The Board is pleased to announce that on 18 September 2019, the Property Purchaser and the Business Purchaser entered into the SPAs for the acquisition of the Property, and the Plant and Equipment, and the Hotel Business in Singapore with the Property Vendor and the Business Vendor, respectively for a Total Consideration of S\$289,000,000 (equivalent to approximately HK\$1,647,300,000).

The Hotel is currently operated as “Oakwood Premier OUE Singapore” which forms part of OUE Downtown, a newly refurbished mixed-use development comprising two high-rise towers with offices and a retail mall apart from the Hotel. The Hotel, which was opened in June 2017, has a total of 268 rooms, 2 dining facilities and other amenities with total gross floor area of 25,054 square metres and strata title area of 23,234 square metres.

FORMATION OF JOINT VENTURES

For the purpose of the Acquisitions, Dorsett, an indirect wholly-owned subsidiary of the Company, and AMTD formed the JVCos and entered into Shareholders’ Agreements with the respective JVCo on 18 September 2019 to regulate the parties’ relationship in each of the JVCos.

* *For identification purposes only*

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group has been seeking to build a stronger presence in Singapore, a city that enjoys world class infrastructure, excellent flight connectivity, popular leisure attractions and a stable economy. The Group already operates a very successful hotel in Singapore, Dorsett Singapore, and leveraging on Dorsett's established operation platform, the remaining short tenure of the existing third-party management contract offers an opportunity for Dorsett to further expand its presence and enhance its brand equity in Singapore. The Group also believes that the Acquisitions allow it to take advantage of the solid business environment in that market and to further diversify its hotel portfolio.

The Board considers that the Total Consideration (including the price of the Property) is attractive, given the location, quality and potential of the Property. While the Acquisitions bring to the Group immediate cash returns from its existing business, it also has strong potential in the short term as it continues its repositioning. Earlier this year, the Property was granted the license to be operated as a hotel, offering short stay accommodation which is typically a more profitable segment of the hospitality market. In the medium term, the Board believes that through some light asset enhancement, the Property could be remodelled to offer additional hotel rooms and deliver higher revenues per square foot.

The Board considers that its partnership with AMTD, with whom the Group enjoys a strong and mutually beneficial long-term relationship, in the Acquisitions is a strategic move to identify long-term partner for future projects as well as an effective way to minimise the capital outlay and optimise its overall investment returns.

The Board believes that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Group's total commitment for the formation of the JVCos for the Acquisitions is S\$141,610,000 (equivalent to approximately HK\$807,177,000). As one or more of the applicable Percentage Ratios exceed 5% and all of the applicable Percentage Ratios are less than 25%, the formation of the JVCos for the Acquisitions constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 18 September 2019, the Property Purchaser and the Business Purchaser entered into the SPAs for the acquisition of the Property, and the Plant and Equipment, and the Hotel Business in Singapore with the Property Vendor and the Business Vendor, respectively for a Total Consideration of S\$289,000,000 (equivalent to approximately HK\$1,647,300,000). The SPAs comprise (1) the Property SPA entered into between the Property Purchaser and the Property Vendor for the Property Acquisition at the Property Consideration, and (2) the Business SPA entered into between the Business Purchaser and the Business Vendor for the Business Acquisition at the Business Consideration.

FORMATION OF JOINT VENTURES

For the purpose of the Acquisitions, Dorsett, an indirect wholly-owned subsidiary of the Company, and AMTD formed the JVCos and entered into the Shareholders' Agreements with the respective JVCo on 18 September 2019 to regulate the parties' relationship in each of the JVCos.

Date of the Shareholders' Agreements

18 September 2019

Parties

- (1) Dorsett;
- (2) AMTD; and
- (3) the PropCo or the OpCo (as the case may be).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, AMTD and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Ownership of the JVCos and the Purchasers

Each of the JVCos is held as to 49% by Dorsett and as to 51% by AMTD. The Property Purchaser is a wholly-owned subsidiary of the PropCo, while the Business Purchaser is a wholly-owned subsidiary of the OpCo. The board of directors of each of the JVCos will comprise 4 directors, 2 of whom are nominated by Dorsett and 2 of whom are nominated by AMTD.

Capital Commitment of the Group

The Group's total capital commitment in the JVCos for the purpose of the Acquisitions is S\$141,610,000 (equivalent to approximately HK\$807,177,000), being the Group's 49% share of the Total Consideration. The Group intends to fund its capital commitment from the Group's internal resources and bank borrowing.

The Board considers that the Total Consideration is fair and reasonable having taken into account, among other things, the value of the Property, prevailing commercial and business conditions, and an independent valuation report completed in August 2019 in respect of the Property, Plant and Equipment, and Hotel Business.

DETAILS OF THE ACQUISITIONS

The SPAs

Date of the SPAs

18 September 2019

Parties

- (1) the Property Purchaser or the Business Purchaser (as the case may be) as the purchaser; and
- (2) the Property Vendor or the Business Vendor (as the case may be) as the vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, each of the Vendors and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter of the Acquisitions

Pursuant to the SPAs, the Purchasers will acquire the Property, the Plant and Equipment, and the Hotel Business from the Vendors, at a Total Consideration of S\$289,000,000 (equivalent to approximately HK\$1,647,300,000), as adjusted by certain current assets and current liabilities of the Hotel Business as of the date of completion of the Acquisitions.

The Hotel Business to be acquired includes, amongst other things, the following items:

- (i) the business carried on in the Hotel by the Business Vendor;
- (ii) the benefit of, subject to the obligations under, the Contracts;
- (iii) all furniture, fixtures, equipment, interior and exterior signs located within or at the Hotel for use in the operations of the Hotel;
- (iv) unused or unconsumed operating supplies, operating equipment and vehicles in connection with the carrying on of the business in the Hotel; and
- (v) the assumption of liabilities and obligations relating to the carrying on of the business in the Hotel.

Payment of the Total Consideration

The Total Consideration is payable by the Purchasers in the following manner:

- (a) a deposit of S\$28,900,000 (equivalent to approximately HK\$164,730,000) was paid upon the signing of the SPAs; and
- (b) the balance of the Total Consideration (excluding the deposit as referred to in (a) above) together with the relevant GST is payable on completion of the Acquisitions.

Condition Precedent

Pursuant to the terms of the Property SPA, completion of the Property Acquisition is subject to the Head Lessor Approval having been obtained and the concurrent completion of the Business Acquisition under the Business SPA.

Pursuant to the terms of the Business SPA, completion of the Business Acquisition is subject to the satisfaction or the waiver (as the case may be) of the submission by the Business Purchaser of an application to the Hotels Licensing Board established under the Hotels Act (Chapter 127 of Singapore) for the approval of the change of the name of the Hotel to “Oakwood Premier AMTD Singapore” with effect from the date of completion of the Business Acquisition, and the concurrent completion of the Property Acquisition under the Property SPA.

Completion

Completion of the Property Acquisition will take place two months from the date of the Property SPA and in the event the Head Lessor Approval is not obtained by such date, the date of completion of the Property Acquisition shall be extended to three months from the date of the Property SPA or such other later date as may be agreed in writing by the Property Vendor and the Property Purchaser.

Completion of the Business Acquisition will take place on the date of completion under the Property SPA.

INFORMATION OF THE HOTEL

The Hotel is currently operated as “Oakwood Premier OUE Singapore” which forms part of OUE Downtown, a newly refurbished mixed-use development comprising two high-rise towers with offices and a retail mall apart from the Hotel. The Hotel, which was opened in June 2017, has a total of 268 rooms, 2 dining facilities and other amenities with total gross floor area of 25,054 square metres and strata title area of 23,234 square metres.

The Property is subject to a 99-year land lease from the Government of Singapore which will expire in July 2066. The Hotel is currently managed by the Hotel Operator, a global hospitality company.

Located in the heart of Singapore’s vibrant central business district, the Hotel enjoys excellent access to a myriad of commercial, leisure and retail attractions and is within walking distance to three Mass Rapid Transit (MRT) stations (Tanjong Pagar, Raffles Place and Downtown) as well as the upcoming Shenton Way and Prince Edward Road MRT stations. Future Singaporean government initiatives, including the CBD Incentive Scheme and Greater Southern Waterfront, will further reinforce this area as a vibrant commercial and lifestyle destination.

FINANCIAL INFORMATION OF THE PROPERTY, PLANT AND EQUIPMENT, AND THE HOTEL BUSINESS

The market value of the Property, Plant and Equipment, and Hotel Business as at 13 August 2019 was approximately S\$300,000,000 (equivalent to approximately HK\$1,710,000,000) based on an independent valuation.

The audited loss (before and after taxation) attributable to the Hotel Business for the years ended 31 December 2017 and 2018 were approximately S\$7,014,000 (equivalent to approximately HK\$39,980,000) and S\$181,000 (equivalent to approximately HK\$1,032,000), respectively. These figures have taken into account the rental expenses (the “**Rental Expenses**”) which amounted to S\$4,083,000 (equivalent to approximately HK\$23,273,000) and S\$7,760,000 (equivalent to approximately HK\$44,232,000) incurred to the Property Vendor in respect of the Property for the years ended 31 December 2017 and 2018 respectively. With the Purchasers acquiring the Property as part of the Acquisitions, such Rental Expenses will no longer be incurred after the completion of the Acquisitions. For illustration purposes and by reference solely to the historical financial results, had such Rental Expenses not been incurred, the Hotel Business would have recorded loss of approximately S\$2,931,000 (equivalent to approximately HK\$16,706,000) for the year ended 31 December 2017 and profit of approximately S\$7,579,000 (equivalent to approximately HK\$43,200,000) for the year ended 31 December 2018.

INFORMATION ON THE GROUP AND AMTD

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, securities and financial product investments and gaming operations.

AMTD is a wholly-owned subsidiary of AMTD Group Company Limited (“**AMTD Group**”). AMTD Group is a leading Hong Kong headquartered comprehensive financial institution group, focusing on investment banking, asset management, corporate insurance brokerage, and strategic investments. AMTD Group is also the holding company of its subsidiary, AMTD International Inc., which is listed on the New York Stock Exchange.

INFORMATION ON THE VENDORS

The Property Vendor is engaged in property holding. It is the registered lessee of a leasehold interest for a term of 99 years commencing from 19 July 1967 in respect of the Property subject to the terms and conditions of the state lease no. 13132 dated 18 August 1980.

The Business Vendor's principal activity is that of serviced apartment operation.

The Vendors are wholly-owned subsidiaries of OUE Limited, which is listed in Singapore and is a diversified real estate owner, developer and operator with a real estate portfolio located in Asia and the United States.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group has been seeking to build a stronger presence in Singapore, a city that enjoys world class infrastructure, excellent flight connectivity, popular leisure attractions and a stable economy. The Group already operates a very successful hotel in Singapore, Dorsett Singapore, and leveraging on Dorsett's established operation platform, the remaining short tenure of the existing third-party management contract offers an opportunity for Dorsett to further expand its presence and enhance its brand equity in Singapore. The Group also believes that the Acquisitions allow it to take advantage of the solid business environment in that market and to further diversify its hotel portfolio.

The Board considers that the Total Consideration (including the price of the Property) is attractive, given the location, quality and potential of the Property. While the Acquisitions bring to the Group immediate cash returns from its existing business, it also has strong potential in the short term as it continues its repositioning. Earlier this year, the Property was granted the license to be operated as a hotel, offering short stay accommodation which is typically a more profitable segment of the hospitality market. In the medium term, the Board believes that through some light asset enhancement, the Property could be remodelled to offer additional hotel rooms and deliver higher revenues per square foot.

The Board considers that its partnership with AMTD, with whom the Group enjoys a strong and mutually beneficial long-term relationship, in the Acquisitions is a strategic move to identify long-term partner for future projects as well as an effective way to minimise the capital outlay and optimise its overall investment returns.

The Board believes that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Group's total commitment for the formation of the JVCos for the Acquisitions is S\$141,610,000 (equivalent to approximately HK\$807,177,000). As one or more of the applicable Percentage Ratios exceed 5% and all of the applicable Percentage Ratios are less than 25%, the formation of the JVCos for the Acquisitions constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the meanings set out below, unless the context requires otherwise:

“Acquisitions”	the Property Acquisition and the Business Acquisition
“AMTD”	AMTD Property Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Board”	the board of Directors
“Business Acquisition”	the acquisition of the Hotel Business as a going concern by the Business Purchaser pursuant to the terms and conditions of the Business SPA
“Business Consideration”	an amount of S\$1,906,000 (equivalent to approximately HK\$10,864,000), being the aggregate consideration for the purchase of the Hotel Business as adjusted by certain current assets and current liabilities of the Hotel Business as of the date of completion of the Acquisitions
“Business Purchaser”	DHI Downtown Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the OpCo
“Business Shareholders’ Agreement”	the shareholders’ agreement dated 18 September 2019 entered into between Dorsett, AMTD and OpCo
“Business SPA”	the sale and purchase agreement dated 18 September 2019 entered into between the Business Purchaser and the Business Vendor in respect of the Business Acquisition
“Business Vendor”	OUE Downtown Pte. Ltd., a company incorporated in Singapore with limited liability, and a wholly owned subsidiary of OUE Limited, a company incorporated in Singapore and listed on Singapore Exchange Securities Trading Limited (stock code: LJ3)
“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)
“Contracts”	all the contracts of the Business Vendor in relation to the Hotel Business, but excluding the master lease agreement dated 2 September 2016 entered into between the Property Vendor and the Business Vendor in respect of the Property, and the Hotel Agreements

“Directors”	the directors of the Company
“Dorsett”	Dorsett Hospitality International Limited, a company incorporated in the Cayman Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“GST”	the goods and services tax (which includes any imposition, duty or levy) chargeable under the Goods and Services Tax Act (Chapter 117A of Singapore) or any statutory modification or re-enactment thereof
“Head Lessor Approval”	the approval of the President of Singapore to the sale of the Property by the Property Vendor to the Property Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	Oakwood Premier OUE Singapore situated on the Property
“Hotel Agreements”	the Management Agreement, the Technical Services and Marketing Agreement and the Trademark Licence Agreement
“Hotel Business”	the business of the Business Vendor as carried on as at the date of the Business SPA and immediately before completion of the Business Acquisition (including the assets and assumed liabilities as set out in the Business SPA)
“Hotel Operator”	Oakwood/R&B Holdings Pte. Ltd. (now known as Oakwood Worldwide (Asia) Pte. Ltd.), a private limited company incorporated in Singapore
“JVCos”	the PropCo and the OpCo
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement dated 2 September 2016 entered into between the Business Vendor and the Hotel Operator in relation to the management, promotion, leasing and operation of the Hotel
“OpCo”	Easy Advance Developments Limited, a company incorporated in the British Virgin Islands with limited liability, and owned as to 49% by the Group and 51% by AMTD

“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Plant and Equipment”	all plant, machinery and equipment located on the Property and owned by the Property Vendor as listed in the Property SPA save for such changes arising from the ordinary course of business
“PropCo”	Cosmic Gold Limited, a company incorporated in the British Virgin Islands with limited liability, and owned as to 49% by the Group and 51% by AMTD
“Property”	the whole of Lot U4627W and Accessory Lot A379V both of Town Subdivison 30
“Property Acquisition”	the acquisition of the Property and the Plant and Equipment by the Property Purchaser pursuant to the terms and conditions of the Property SPA
“Property Consideration”	an amount of S\$287,094,000 (equivalent to approximately HK\$1,636,436,000), being the consideration for the purchase of the Property and the Plant and Equipment
“Property Purchaser”	DHI Holding (S) Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the PropCo
“Property Shareholders’ Agreement”	the shareholders’ agreement dated 18 September 2019 entered into between Dorsett, AMTD and PropCo
“Property SPA”	the sale and purchase agreement dated 18 September 2019 entered into between the Property Purchaser and the Property Vendor in respect of the Property Acquisition
“Property Vendor”	Alkas Realty Pte. Ltd., a company incorporated in Singapore with limited liability and an indirect wholly owned subsidiary of OUE Limited, a company incorporated in Singapore and listed on Singapore Exchange Securities Trading Limited (stock code: LJ3)
“Purchasers”	the Property Purchaser and the Business Purchaser
“S\$”	the lawful currency of Singapore
“Shareholders’ Agreements”	the Property Shareholders’ Agreement and the Business Shareholders’ Agreement
“Singapore”	the Republic of Singapore

“SPAs”	the Property SPA and the Business SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Services and Marketing Agreement”	the technical services and marketing agreement dated 2 September 2016 entered into between the Business Vendor and the Hotel Operator in relation to the provision of technical services and technical assistance advice relating to the Hotel and the marketing of the Hotel
“Total Consideration”	an amount of S\$289,000,000 (equivalent to approximately HK\$1,647,300,000), being the total of the Property Consideration and the Business Consideration
“Trademark Licence Agreement”	the trademark licence agreement dated 2 September 2016 entered into between the Business Vendor and the Hotel Operator in relation to the licence of the respective trademarks and other intellectual property of the Business Vendor (and/or its affiliates) and the Hotel Operator (and/or its affiliates) in relation to the Hotel
“Vendors”	the Property Vendor and the Business Vendor
“%”	per cent

For the purpose of this announcement and for illustration purpose only, conversion of S\$ to HK\$ is based on the exchange rate of S\$1 to HK\$5.70. No representation is made that any amounts in S\$ have been or could be converted at the above rate or any other rates.

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

Hong Kong, 18 September 2019

As at the date of this announcement, the Board comprises five executive directors namely, Tan Sri Dato’ David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS and Ms. Wing Kwan Winnie CHIU; and three independent non-executive directors, namely Mr. Kwok Wai CHAN, Mr. Kwong Siu LAM and Mr. Lai Him Abraham SHEK.