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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)

CONNECTED TRANSACTION IN RELATION TO THE GRANT OF OPTIONS

THE OPTION AGREEMENTS

The Board wishes to announce that on 26 August 2020 (after trading hours), the Vendor (as grantor), an indirect non-wholly owned subsidiary of the Company, has issued to the Purchaser (as grantee), the Option Agreements for the collective sale and purchase of the Properties in consideration of the Booking Fee received from the Purchaser.

LISTING RULES IMPLICATIONS

The Purchaser is a company wholly owned by Mr. Dennis CHIU (an executive Director). As such, the Purchaser is a connected person under the Listing Rules. As one or more of the applicable Percentage Ratios in respect of the Transaction is more than 0.1% but less than 5%, the Transaction constitutes a connected transaction for the Company and is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.79(1) of the Listing Rules, the grant of the Options (the exercise of which is not at the discretion of the Company) to a connected person shall be treated as if the Options had been exercised. The Consideration (including the Booking Fee) has been taken into account for the purpose of determining the applicable Percentage Ratios under Chapter 14A of the Listing Rules.

* For identification purposes only

INTRODUCTION

The Board wishes to announce that on 26 August 2020 (after trading hours), the Vendor (as grantor), an indirect non-wholly owned subsidiary of the Company, has issued to the Purchaser (as grantee), the Option Agreements for the collective sale and purchase of the Properties in consideration of the Booking Fee received from the Purchaser.

The issuance of Option Agreements is the standard procedure prescribed under the Singapore laws for the sale and purchase of properties which are under construction in Singapore before entering into the SPAs.

THE OPTION AGREEMENTS

Date

26 August 2020

Parties

- (1) the Vendor (as grantor)
- (2) the Purchaser (as grantee)

Subject matter

In consideration of the Booking Fee, the Vendor grants to the Purchaser the Options, exercisable during the Option Period, to purchase the Properties held by the Vendor at the Consideration (plus GST) pursuant to and subject to the terms and conditions of the Option Agreement. The Options are granted on an en-bloc basis, and on the fundamental condition that the Purchaser exercises all the Options concurrently.

Booking Fee

The Booking Fee was paid by the Purchaser upon issuance of the Option Agreements.

Exercise of Options

The Vendor will make available to the Purchaser (or its solicitors if any appointed) the original or copies of the title deeds to the Properties and the SPAs on the Documents Delivery Date. The Options are to be exercised by signing and returning the SPAs to the Vendor or the Vendor's solicitors within the Option Period. If the Purchaser fails to exercise all the Options concurrently during the Option Period, 50% of Booking Fee will be refunded to the Purchaser by the Vendor within 4 weeks after the Option Period. Upon such refund, the Purchaser or its solicitors shall return to the Vendor, the original or copies (as the case may be) of the title deeds to the Properties together with all the execution copies of the SPAs.

THE SPAs

The principal terms of the SPAs are set out as follows:

Parties

- (1) the Vendor
- (2) the Purchaser

Subject matter

The Vendor shall sell, and the Purchaser shall purchase free from all encumbrances the remainder of the leasehold estate for a term of 99 years commencing from 15 February 2016 in the Properties at the Consideration (plus GST) pursuant to and subject to the terms and conditions of the SPAs.

Consideration

The Consideration is S\$41,530,000 (equivalent to approximately HK\$235,059,800). Pursuant to the SPAs, the Consideration shall be paid by the Purchaser to the Vendor in accordance with the payment schedule below.

Subject to the signing of the SPAs:

- (a) within 8 weeks from the date of the issuance of the Option Agreements, the Purchaser shall pay to the Vendor a sum which represents 20% of the Consideration (less the Booking Fee which was paid by the Purchaser upon issuance of the Option Agreements);
- (b) after completion of various construction phases, the Vendor is entitled to issue notices to the Purchaser for various staged payments in accordance with the construction phases pursuant to the SPAs. Such construction phases include, amongst others, the completion of foundation works, the brick walls, and the installation of electrical plant, sanitary equipment and air-conditioning plant (if any) relating to the Properties. Within 14 days after the Purchaser receives such notices, the Purchaser shall pay to the Vendor such various staged payments, which in aggregate, represent 45% of the Consideration;
- (c) within 14 days after the Purchaser receives the notice of vacant possession of the Properties after Temporary Occupation Permit for the Development has been issued, the Purchaser shall pay to the Vendor a further sum which represents 25% of the Consideration;
- (d) the remaining balance, being 10% of the Consideration, shall be paid by the Purchaser as follows (as the case may be):

If the Certificate of Statutory Completion is issued after the date of Completion

- (i) on the date of Completion, the Purchaser shall pay to the Vendor a sum which represents 2% of the Consideration; and
- (ii) on the date of Completion, the Purchaser shall pay to the Singapore Academy of Law, as stakeholder, a sum which represents 8% of the Consideration, which shall be released to the Vendor in accordance with the SPAs.

If the Certificate of Statutory Completion is issued before the date of Completion

- (i) within 14 days after the Purchaser receives the Certificate of Statutory Completion (or a certified copy thereof), the Purchaser shall pay to the Vendor a sum which represents 2% of the Consideration; and
- (ii) on the date of Completion, the Purchaser shall pay to the Vendor a sum which represents 8% of the Consideration.

As at the date of this announcement, the construction phases for the various staged payments have been completed and the Temporary Occupation Permit has been issued.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser, having taken into account, amongst others, an independent valuation report as at 24 August 2020 in respect of the Properties, the location of the Properties, prevailing market conditions and comparable price of the properties of the Development and in its vicinity.

Completion

The expected date of delivery of vacant possession of the Properties shall be no later than 30 June 2021.

The Vendor may issue a notice to complete to the Purchaser after the subdivision of the Development has been approved. Completion shall take place 14 days after the Purchaser receives the notice to complete from the Vendor, accompanied by a copy of the certificate by the Vendor's qualified person stating that the subdivision of the Development has been approved, which in any event shall be no later than 30 June 2024 or 3 years after the date of delivery of vacant possession of the Properties.

FINANCIAL EFFECT OF THE TRANSACTION

The estimated market value of Properties, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, is expected to be S\$41,530,000 (equivalent to approximately HK\$235,059,800), in aggregate, based on an independent valuation as at 24 August 2020. The Directors estimate that upon Completion, the Group is expected to record a net gain from the Transaction of approximately S\$19,000,000 (equivalent to approximately HK\$107,540,000), being the difference between (i) the Consideration and (ii) the aggregate of the estimated carrying value of the Properties at the Completion and the estimated expenses in relation to the Transaction.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Transaction is intended to be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Properties are situated within the Development, a mixed commercial and residential development in Singapore owned by an indirect non-wholly owned subsidiary of the Company. The Group has now presold all of the residential units and considers the commercial component of the Development as non-core. The Board believes that the Transaction provides a good opportunity to unlock and crystallise the value of the properties of the Group.

As at the date of this announcement, the Development is in the final stage of construction, and the Temporary Occupation Permit for the Development has been issued. The issuance of Option Agreements is the standard procedure prescribed under the Singapore laws for the sale and purchase of properties which are under construction in Singapore before entering into the SPAs.

The Purchaser is a company wholly owned by Mr. Dennis CHIU (an executive Director), accordingly, Mr. Dennis CHIU and those of his associate who is also an executive Director (ie. Tan Sri Dato' David CHIU being the brother of Mr. Dennis CHIU) have abstained from voting on the board resolutions approving the Transaction. To avoid any perception of conflict of interest, Ms. Wing Kwan Winnie CHIU, as the niece of Mr. Dennis CHIU and an executive Director, has voluntarily abstained from voting on the board resolutions to approve the Transaction.

The Directors (including the independent non-executive Directors, but excluding Tan Sri Dato' David CHIU, Ms. Wing Kwan Winnie CHIU and Mr. Dennis CHIU who have abstained from voting on the relevant board resolutions) are of the view that the Transaction is on normal commercial terms and in the Group's ordinary and usual course of business, and that the terms of the Option Agreements and the SPAs are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PROPERTIES

The Properties comprise of 10 commercial units, being #01-09 to #01-18 situated at 12 Alexandra View, ARTRA, Singapore 158736 in Singapore, being a development owned by an indirect non-wholly owned subsidiary of the Company. The estimated floor area of the Properties is, in aggregate, 1,584 square metres.

INFORMATION ON THE PURCHASER, THE VENDOR AND THE GROUP

The Purchaser is a company wholly owned by Mr. Dennis CHIU (an executive Director), and is principally engaged in property development and investment.

The Vendor is an indirect non-wholly owned subsidiary of the Company, and is owned as to 70% by the Group and 30% by NWD Group. The Vendor is principally engaged in property development.

NWD Group is 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.

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.

LISTING RULES IMPLICATIONS

The Purchaser is a company wholly owned by Mr. Dennis CHIU (an executive Director). As such, the Purchaser is a connected person under the Listing Rules. As one or more of the applicable Percentage Ratios in respect of the Transaction is more than 0.1% but less than 5%, the Transaction constitutes a connected transaction for the Company and is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.79(1) of the Listing Rules, the grant of the Options (the exercise of which is not at the discretion of the Company) to a connected person shall be treated as if the Options had been exercised. The Consideration (including the Booking Fee) has been taken into account for the purpose of determining the applicable Percentage Ratios under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed under the Listing Rules
“Board”	board of Directors
“Booking Fee”	S\$2,076,500 (equivalent to approximately HK\$11,752,990), being 5% of the Consideration
“Certificate of Statutory Completion”	the certificate of statutory completion issued by the Commissioner of Building Control under the Building Control Act (Chapter 29 of the laws of Singapore)
“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 Transaction in accordance with the SPAs
“connected person(s)”	has the meaning as ascribed under the Listing Rules

“Consideration”	S\$41,530,000 (equivalent to approximately HK\$235,059,800), being the aggregate purchase price of the Properties
“Development”	the building known or to be known as ARTRA erected or to be erected on Government Resurvey Lot No. 03995V and Airspace Lot No. 70002V both of Mukim 1, Singapore
“Director(s)”	the directors of the Company
“Documents Delivery Date”	a date no later than 14 days from the date of the Option Agreements
“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 the laws of Singapore) or any statutory modification or re-enactment thereof
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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)
“NWD Group”	NWD and its subsidiaries
“Option”	the right exercisable during the Option Period to purchase the Property held by the Vendor on the terms set out in the SPA (collectively, “Options”)
“Option Agreements”	10 option to purchase agreements dated 26 August 2020 issued by the Vendor (as grantor) to the Purchaser (as grantee) containing, among others, the terms with respect to the Options, each an “Option Agreement”

“Option Period”	the period commencing on the date of the Option Agreements and expiring three weeks after the Documents Delivery Date, or upon receipt by the Vendor of the written notice given by the Purchaser that the Purchaser does not wish to exercise the Options (whichever is earlier)
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Properties”	10 commercial units at the Development, each a “Property”
“Purchaser”	Tang City Homes Pte Ltd, a company incorporated in Singapore with limited liability and is wholly-owned by Mr. Dennis CHIU
“S\$”	Singapore Dollar, the lawful currency of Singapore
“Singapore”	The Republic of Singapore
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“SPAs”	10 sale and purchase agreements to be entered into between the Vendor (as vendor) and the Purchaser (as purchaser) with respect to the Transaction, in the event the Purchaser exercises the Option, each an “SPA”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Temporary Occupation Permit”	the temporary occupation permit issued by the Commissioner of Building Control under the Building Control Act (Chapter 29 of the laws of Singapore)
“Transaction”	the sale of the Properties by the Vendor to the Purchaser pursuant to the Option Agreements and the SPAs
“Vendor”	FEC Skyline Pte. Ltd., a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company
“%”	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\$ to HK\$5.66. 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
Wai Hung Boswell CHEUNG
Company Secretary

Hong Kong, 26 August 2020

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.