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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)

ACQUISITION OF MAJORITY SHAREHOLDING IN BC GROUP FOLLOWING A REORGANISATION, SUBSCRIPTIONS OF SHARES IN BC GROUP BY CERTAIN DIRECTORS AND DEEMED DISPOSAL OF SHARES IN BC GROUP

BC GROUP

The Board is pleased to announce that the Company has agreed a reorganisation involving its existing shareholding of 37.5% in the BC Companies and options over BC Group whereby such interests in the BC Companies will be exchanged for shares in BC Group and, following completion of the reorganisation, the exercise of such options and the subscriptions of shares by Mr. Hoong and Mr. Williams as referred to below, the Group will come to hold 67.55% of the shares in BC Group and BC Group will become the holding company of BC Securities (including 100% of the shares in the BC Companies). In connection with such reorganisation, the Company has procured the issue by BC Group of new shares to Mr. Hoong and Mr. Williams with such shares representing 4.41% and 1.47% in BC Group, respectively. Following the subscriptions by the New Investors of new shares representing 25% of enlarged issued share capital in BC Group, the Group's, Mr. Hoong's and Mr. Williams's shareholdings in BC Group will be diluted to 50.66%, 3.30% and 1.10% respectively. The remaining 19.94% in BC Group is held by the management team of BC Group.

* For identification purposes only

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of BC Group's issue of shares to Mr. Hoong and Mr. Williams exceeds 0.1% and HK\$3 million but all of the applicable Percentage Ratios are less than 5%, the share issues are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. As all of the applicable Percentage Ratios in respect of each of (i) the Group's exchange of its shareholding of 37.5% in the BC Companies for shares in BC Group and exercise of its options over BC Group to subscribe for shares in BC Group; (ii) the deemed disposal by the Group as a result of dilution of its shareholding interest in BC Group to 67.55% following the issue of new shares by BC Group to Mr. Hoong and Mr. Williams; and (iii) the deemed disposal by the Group as a result of a dilution of its shareholding interest in BC Group to 50.66% following the issue of new shares by BC Group to the New Investors, is less than 5%, the transactions which form part of the reorganisation (including the exercise of such options and the share issues to Mr. Hoong and Mr. Williams) and the share issues to the New Investors are not notifiable transactions pursuant to Chapter 14 of the Listing Rules.

While the reorganisation agreements, share subscription agreements and agreements with the New Investors were signed on 21 February 2019, completion of such transactions are subject to conditions. Accordingly, such transactions may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

BC GROUP

In 2016, the Group invested in and took a 37.5% stake in each of the BC Companies with the objective of starting a business in the provision of regulated first mortgage finance to international buyers over residential properties. The business of BC Securities is synergistic with the Group's residential development business, and has been growing rapidly since its establishment. With over 50 employees, BC Securities now has over A\$600 million (equivalent to approximately HK\$3.336 billion) in mortgage loan assets under management. The loan book is performing well, with an average loan to value ratio of 59% and no arrears or defaults. The business is based in Hong Kong with offices in Melbourne, Singapore, Beijing and Shanghai and trades as BC Securities. At the time of the Group's investment in 2016, the remaining 67.5% stake of the BC Companies was held by their senior management team and other investors. The Group was also then granted options by the BC Companies and BC Securities Pty Ltd to increase its shareholding to 75% of the issued share capital of the respective companies. Those options have subsequently been amended to allow the Group to take up shares in BC Group as an alternative to taking up shares in those companies.

BC Securities Pty Ltd is licensed by the Australian Securities and Investment Commission as both a credit provider and mortgage broker. The business is organized in a manner where the mortgage loans (in the case where a loan is not provided by third party lenders) are funded by special purpose securitisation trust managed by BC Securities Pty Ltd. The primary securitisation trust has been funded by a senior credit facility provided by a major international investment bank as well as junior debt funding provided by investors of which the Group is one. All financing is secured by first mortgages over residential properties.

To continue the growth of the business, it has been decided that BC Securities undergo a reorganisation and that, as a result, BC Group becomes its holding company. As part of the reorganisation, some members of the Group, BC Group, some members of BC Securities and others have entered into agreements including (a) reorganisation agreements whereby the Group's existing shareholding of 37.5% in each of the BC Companies will be exchanged for shares in BC Group and, following completion of the reorganisation, and the exercise of such options and the subscriptions of shares referred to in paragraphs (b) and (c) below, the Group will come to hold 67.55% of the shares in BC Group and BC Group will become the holding company of BC Securities (including 100% of shares in the BC Companies); (b) BC Group issues further shares to the Group at nominal value, in satisfaction of certain options granted by BC Group to the Group; (c) the Company procures, consistent with its commitment in 2017, the issue of new shares by BC Group to Mr. Hoong and Mr. Williams at nominal value, with such shares representing 4.41% and 1.47% in BC Group, respectively; and (d) a subscription agreement between, among others, the BC Group and the New Investors whereby the New Investors will subscribe for new shares representing 25% of enlarged issued share capital in BC Group for A\$15 million (equivalent to approximately HK\$83.4 million). The New Investors collectively manage assets in excess of US\$40 billion. In addition to purchasing a significant equity stake in BC Group, the New Investors are expected to assist with the expansion of BC Group's platform over the next 3 years to grow its mortgage loan assets under management to A\$5 billion (equivalent to approximately HK\$27.8 billion). Following the share subscriptions by the New Investors, the Group's, Mr. Hoong's and Mr. Williams's shareholding in BC Group will be diluted to 50.66%, 3.30% and 1.10% respectively. The remaining 19.94% in BC Group is held by the management team of BC Group. As a result, BC Group will be a subsidiary of the Company. To the best of the directors' knowledge, information and belief, having made reasonable enquiries, the counterparties to the reorganisation agreements (other than the share issues to Mr. Hoong and Mr. Williams) and their ultimate beneficial owners are Independent Third Parties. Completion of the reorganisation, subscriptions by Mr. Hoong and Mr. Williams and subscription by the New Investors is expected to take place within 14 days from the date of this announcement.

While the reorganisation agreements, share subscription agreements and agreements with the New Investors were signed on 21 February 2019, completion of such transactions are subject to conditions. Accordingly, such transactions may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

BC Group was recently incorporated in connection with the reorganisation and other than its holding of BC Securities, it has no other material assets and liabilities.

The financial information of BC Securities on a combined basis for the financial years ended 31 March 2017 and 2018 and the six months ended 30 September 2018, which is based on the unaudited financial information of such members of BC Securities for the corresponding periods, prepared in accordance with generally accepted accounting principles applicable to such members of BC Securities, is presented below.

	Year ended 31 March 2017 (unaudited) (A\$'000)	Year ended 31 March 2018 (unaudited) (A\$'000)	Six months ended 30 September 2018 (unaudited) (A\$'000)
Net (loss)/profit before taxes and extraordinary items	(6)	(403)	637
Net (loss)/profit after taxes and extraordinary items	(6)	(422)	637

The net asset value of BC Securities as at 30 September 2018, which is prepared on a combined basis based on unaudited financial information of such members of BC Securities as at 30 September 2018, prepared in accordance with generally accepted accounting principles applicable to such members of BC Securities, was approximately A\$808,000 (equivalent to approximately HK\$4,492,000).

RATIONALE FOR THE SHARE SUBSCRIPTIONS BY CERTAIN DIRECTORS

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 investment and gaming operations.

Mr. Hoong and Mr. Williams have been instrumental in the establishment of BC Securities' business. In 2017, shortly after commencement of the business of BC Securities, the Company undertook to incentivize them with an economic interest in the business. The share issues by BC Group to Mr. Hoong and Mr. Williams referred to above are consistent with this commitment. Mr. Hoong and Mr. Williams have since set up a strong management team to drive the growth of the business and have been providing strategic direction and actively involved in monitoring and securing funding for the business. With the restructuring and new investment, the Group expects to realize an uplift in the value of its shareholding by approximately A\$30 million (equivalent to approximately HK\$166.8 million). In addition, new funding is secured for the growth of the business. By reference to the investment to be made by the New Investors, the entire business of BC Securities has been valued at A\$45 million (equivalent to approximately HK\$250.2 million) on a pre-money basis, which implies a valuation of A\$60 million (equivalent to approximately HK\$333.6 million) on a post-money basis. Using this as a benchmark for the BC Securities business, the Board (including the independent non-executive directors of the Company) is of the opinion that the value of the economic interest granted to Mr. Hoong and Mr. Williams is commensurate with the services provided by them to BC Securities, and the terms of such share issues by BC Group to Mr. Hoong and Mr. Williams are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders of the Company as a whole. The Board has resolved to approve such share issues to Mr. Hoong and Mr. Williams, both of whom have abstained from voting in respect of such resolution.

The share subscriptions by Mr. Hoong and Mr. Williams are not expected to have any impact on the financial results of the BC Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of BC Group's issue of shares to Mr. Hoong and Mr. Williams exceeds 0.1% and HK\$3 million but all of the applicable Percentage Ratios are less than 5%, the share issues are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. As all of the applicable Percentage Ratios in respect of each of (i) the Group's exchange of its shareholding of 37.5% in the BC Companies for shares in BC Group and exercise of its options over BC Group to subscribe for shares in BC Group; (ii) the deemed disposal by the Group as a result of dilution of its shareholding interest in BC Group to 67.55% following the issue of new shares by BC Group to Mr. Hoong and Mr. Williams; and (iii) the deemed disposal by the Group as a result of a dilution of its shareholding interest in BC Group to 50.66% following the issue of new shares by BC Group to the New Investors, is less than 5%, the transactions which form part of the reorganisation (including the exercise of such options and the share issues to Mr. Hoong and Mr. Williams) and the share issues to the New Investors are not notifiable transactions pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“A\$”	Australian dollars, being the lawful currency of Australia
“BC Companies”	BC Finance Services Pty Ltd and BC Securities (HK) Ltd
“BC Group”	BC Group Holdings Limited, a company incorporated in the Cayman Islands and which is the holding company of BC Securities following the reorganisation referred to in this announcement
“BC Securities”	BC Securities Pty Ltd, BC Finance Services Pty Ltd, BC Investment Group Pty Ltd, BC Investment Group (HK) Limited, BC Securities (HK) Limited and their respective subsidiaries, whose principal business is the provision of regulated first mortgage finance to international buyers of residential properties
“Board”	board of directors of the Company
“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)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a party that is independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hoong”	Mr. Cheong Thard Hoong, a director of the Company
“Mr. Williams”	Mr. Craig Grenfell Williams, a director of the Company
“New Investors”	two new investors in BC Group who, together, will subscribe for 25% of the shares in BC Group, as enlarged by the issue of such shares, for A\$15 million (equivalent to approximately HK\$83.4 million). Such investors are ultimately controlled by one of Asia’s largest alternative investment management firms and one of Australia’s largest non-bank credit businesses. To the best of the directors’ knowledge, information and belief, having made reasonable enquiries, the New Investors and their ultimate beneficial owners are Independent Third Parties
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“PRC”	People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Regions and Taiwan
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement and for illustration purpose only, conversion of A\$ to HK\$ is based on the exchange rate of A\$1.00 = HK\$5.56 and US\$ to HK\$ at the exchange rate of US\$1 to HK\$7.8. No representation is made that any amounts in A\$ or US\$ 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, 21 February 2019

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