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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 – ACQUISITION OF TRANS WORLD CORPORATION

THE MERGER

The Board is pleased to announce that, after the trading hours of the Stock Exchange on 2 March 2018, the Company, FEC OIL, the Purchaser and the Target entered into the Merger Agreement, pursuant to which the Purchaser will merge with the Target.

Upon Closing, (i) the Target will continue as the surviving company and become a wholly-owned subsidiary of FEC OIL and (ii) the Purchaser will cease to exist as a legal entity.

The amount to be paid by FEC OIL under the Merger Agreement shall not exceed US\$42,000,000 (equivalent to approximately HK\$327,600,000), subject to adjustments for any Dissenting Shares.

The Merger is subject to satisfaction or waiver of certain conditions precedent as summarised in the section headed “The Merger Agreement – Conditions precedent” in this announcement.

The Target Group is primarily engaged in the hospitality and gaming business in Germany, Austria and the Czech Republic. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Target and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

* *For identification purposes only*

LISTING RULES IMPLICATIONS

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

INTRODUCTION

The Board is pleased to announce that, after the trading hours of the Stock Exchange on 2 March 2018, the Company, FEC OIL, the Purchaser and the Target entered into the Merger Agreement, pursuant to which the Purchaser will merge with the Target.

Upon Closing, (i) the Target will continue as the surviving company and become a wholly-owned subsidiary of FEC OIL and (ii) the Purchaser will cease to exist as a legal entity.

THE MERGER AGREEMENT

The principal terms of the Merger Agreement are set out as follows:

Date

2 March 2018

Parties

- (1) The Company;
- (2) FEC OIL;
- (3) the Purchaser; and
- (4) the Target.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Target and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Merger Agreement, the Purchaser will, upon Closing, merge with and into the Target in accordance with the applicable laws of the State of Nevada, the United States. On the Merger Effective Date, the separate existence of the Purchaser will cease, and the Target will be the surviving corporation in the same name, and will be governed by the laws of the State of Nevada, the United States. After the Merger Effective Date, the Surviving Corporation will be wholly-owned by FEC OIL.

Under the Merger Agreement, the Company will guarantee to the Target and its permitted successors and assigns the full, prompt and complete payment and performance by each of FEC OIL and the Purchaser of all of the covenants, conditions and agreements of each of FEC OIL and the Purchaser contained in the Merger Agreement.

Effective date of the Merger and its effect

The Merger will become effective on the date and at the time that the articles of merger are filed with and accepted by Secretary of State of the State of Nevada, the United States.

On the Merger Effective Date,

- (A) the articles of incorporation of the Target, as in effect immediately before the Merger Effective Date, will be the articles of incorporation of the Surviving Corporation;
- (B) the bylaws of the Target, as in effect immediately before the Merger Effective Date, will be the bylaws of the Surviving Corporation;
- (C) the directors of the Purchaser immediately prior to the Merger Effective Date shall be the directors of the Surviving Corporation;
- (D) the officers of the Target immediately prior to the Merger Effective Date shall be the officers of the Surviving Corporation;
- (E) by virtue of the Merger and without any action on the part of any stockholder of the Target or the Purchaser,
 - (i) each Target Share of common stock issued and outstanding immediately prior to the Merger Effective Date, other than Exception Shares (which shall be cancelled and cease to exist with no payment being made with respect thereto) and Dissenting Shares, will be cancelled and converted to a right to receive a sum calculated in accordance with the Merger Agreement;
 - (ii) each share of common stock of the Purchaser, par value of US\$0.01 per share, issued and outstanding immediately prior to the Merger Effective Date will be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation, par value of US\$0.001 per share;
 - (iii) each option to purchase Target Shares and each stock of deferred stock and restricted stock at the Target will be cancelled and converted to a right to receive a sum calculated in accordance with the Merger Agreement;
- (F) all the property, rights, privileges, powers and franchises of the Target and the Purchaser shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Target and the Purchaser shall become the debts, liabilities and duties of the Surviving Corporation; and
- (G) the Dissenting Shares shall automatically be cancelled and cease to exist.

Immediately prior to filing of the articles of merger, US\$42,000,000 (equivalent to approximately HK\$327,600,000), which includes the amount to be paid in exchange for cancellation or termination of all outstanding and unexercised options, restricted shares and deferred shares under the stock incentive plans of the Target immediately prior to the Merger Effective Date, and as adjusted by the negative adjustments due to (i) expenses of the Target in connection with the consummation of the Merger; (ii) purchase of run-off insurance policies by the Target; and/or (iii) the amount by which the Closing Net Indebtedness exceeds US\$11,025,000 (equivalent to HK\$85,995,000) (the “**Merger Consideration**”) shall be payable by FEC OIL in cash to the Target’s then-transfer agent or a disbursing agent (the “**Disbursing Agent**”) or, in the case of the amount to be paid in exchange for cancellation or termination of all outstanding and unexercised options, restricted shares and deferred shares under the stock incentive plans of the Target, then to the Target, which will be held in trust for the benefit of FEC OIL until the Merger Effective Date.

Pursuant to the laws of the State of Nevada, the United States, subject to the satisfaction of certain conditions, shareholders of the Target will be entitled to dissent from the Merger and may elect to, rather than accept the applicable portion of the Merger Consideration, demand that the Surviving Corporation pay to them the “fair value” of their shares, determined via a judicial proceeding in accordance with the laws of the State of Nevada, the United States. Only the holders of the Dissenting Shares who do not surrender their shares in exchange for the Merger Consideration and satisfy applicable statutory requirements will be entitled to exercise dissenters’ rights.

Pursuant to the Merger Agreement, all of the amounts payable by FEC OIL (including the Merger Consideration) shall not exceed US\$42,000,000 (equivalent to approximately HK\$327,600,000) in aggregate (subject to adjustments for any Dissenting Shares), which is determined by the parties to the Merger Agreement with reference to (i) the recent market value of the Target Group; (ii) the consolidated net asset value of the Target Group as at 30 September 2017 and (iii) the business development and prospects of the Target Group in the medium and long term. The Company expects to finance the Merger Consideration from internal resources.

Conditions precedent

The Merger is subject to a number of conditions precedent having been satisfied, or waived by the party entitled to the benefit thereof, before Closing. The material conditions of which are summarised as follows:

- (A) written consent of the holders of more than a majority of the Target Shares to approve the Merger (the “**Target Stockholder Consent**”) have been received by the Target and FEC OIL;
- (B) any applicable waiting period under any applicable antitrust law have expired or been terminated;

- (C) no law, injunction, judgment, order, decree or ruling enacted, promulgated, issued, entered, amended or enforced by any governmental authority having jurisdiction over the parties to the Merger Agreement (including the U.S. Securities Exchange Act of 1934 and the rules and regulations thereunder) shall be in effect, whether temporary, preliminary or permanent, enjoining, restraining, preventing or prohibiting consummation of the Merger or making the consummation of the Merger illegal;
- (D) all consents, approvals and other authorisations of any governmental authority or third parties which are required to consummate the Merger and the other transactions contemplated under the Merger Agreement shall have been obtained;
- (E) the relevant representations and warranties of each party to the Merger Agreement shall be true and correct in all respects as of the date of the Merger Agreement (where applicable) and the date of Closing, except where the failure of such representations and warranties to be true and correct would not individually or in the aggregate reasonably be expected to have a material adverse effect on the ability of the Target, FEC OIL or the Purchaser (as the case may be) to consummate the transactions contemplated under the Merger Agreement;
- (F) all the relevant deliverables set forth in the Merger Agreement shall have been satisfied;
- (G) no material adverse effect on the Target shall have occurred at any time after the date of the Merger Agreement; and
- (H) all applicable Gaming Approvals required as of the date of the Merger Agreement with respect to the Target Group shall be in full force and effect as of the Closing.

As at the date of this announcement, save for condition precedent (A) above, none of the above has been satisfied.

Closing

The Closing is scheduled to take place on the second Business Day after satisfaction or waiver of all of the conditions precedent in the Merger Agreement (the material conditions have been set out in the section headed “Conditions precedent” above), other than those conditions that by their nature are to be satisfied at the Closing but subject to the fulfilment or waiver of those conditions, or such other date as mutually agreed by FEC OIL and the Target in writing. Upon Closing, the Disbursing Agent shall arrange for payment to holders of the Target Shares in accordance with the relevant Nevada laws.

Termination

The Merger Agreement may be terminated by:

- (A) mutual written consent of FEC OIL and the Target;
- (B) by either FEC OIL or the Target:
 - (1) in the event of any final and non-appealable restraint restraining or otherwise prohibiting the transactions contemplated by the Merger Agreement or making the consummation of the Merger illegal; or
 - (2) if the Closing shall not have occurred on or before the 120th day (the “**Termination Date**”) after the date of the Merger Agreement; provided that (aa) if all of the relevant conditions precedent have been met other than the condition precedent (H) as set out in the section headed “Conditions precedent” above, the Termination Date shall be extended by thirty (30) days; and (bb) the right to terminate under this paragraph shall not be available to any party whose failure to fulfil any covenant or obligation under the Merger Agreement, or whose breach of any representation or warranty, shall have been the cause of, or resulted in, the failure of the Closing to occur on or prior to the Termination Date;
- (C) by the Target:
 - (1) if (aa) the board of directors of the Target authorises the Target to enter into, or public announces its intention to enter into, any agreement relating to (i) direct or indirect sale, lease, exchange, transfer, license, disposition or acquisition of the assets or equity interests of the Target or its subsidiaries equal to ten per cent. (10%) or more of the fair market value, or consolidated assets, net revenues or net income of the Target; (ii) direct or indirect acquisition of ten per cent. (10%) or more of the Target Shares, any addition shares of outstanding voting or equity interests of the Target Group; (iii) tender offer or exchange offer resulting in any person beneficially owning ten per cent. (10%) or more of the outstanding Target Shares, any addition shares of outstanding voting or equity interests of the Target Group; (iv) merger, consolidation or similar transaction involving the Target or any of its subsidiaries and any third-party; (v) liquidation or other significant corporate reorganisation of the Target Group; or (vi) any combination of the foregoing if the sum of the percentage of consolidated assets, net revenues or net income and common stock of the Target involved is ten per cent. (10%) or more, in each case, other than the transactions under the Merger Agreement (collectively, the “**Acquisition Proposal**”); or (bb) the Target effected a change in the recommendation of the board of directors of the Target to its shareholder(s) to approve the Merger and the Merger Agreement (the “**Company Adverse Recommendation Change**”); or

- (2) if FEC OIL or the Purchaser shall have breached or failed to perform its respective obligations under the Merger Agreement which is incapable of being cured, or is not cured within 30 calendar days following written notice from the Target, or FEC OIL and the Purchaser fail to consummate the Merger in accordance with the Merger Agreement, provided that such rights to terminate under this paragraph shall not be available if the Target is then in breach of any representation, warranty, covenant or agreement under the Merger Agreement that would result in the relevant conditions for Closing not being satisfied;

(D) by FEC OIL:

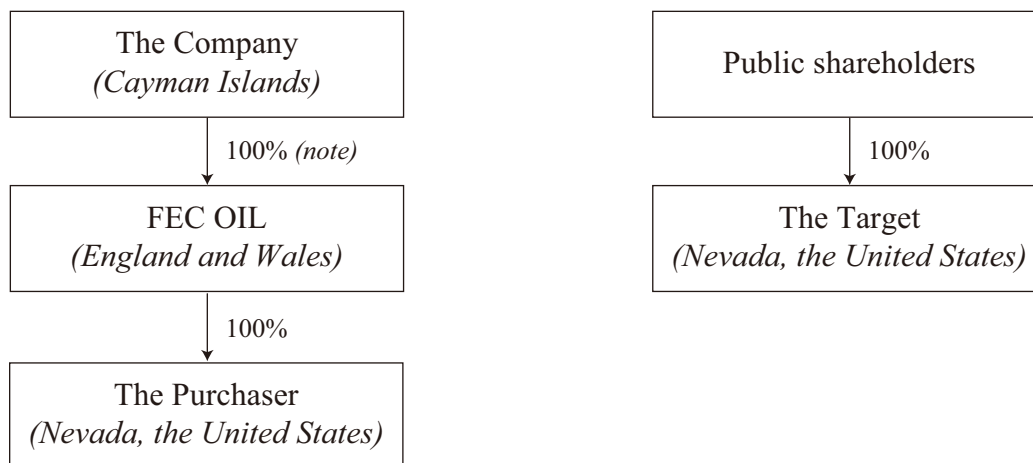
- (1) if the Target shall have breached or failed to perform its obligations under the Merger Agreement which is incapable of being cured, or is not cured within 30 calendar days following written notice from FEC OIL, provided that such right to terminate under this paragraph shall not be available if FEC OIL or the Purchaser is then in breach of any representation, warranty, covenant or agreement under the Merger Agreement that would result in the relevant conditions for Closing not being satisfied; or
- (2) if the Target shall have entered into, or publicly announced its intention to enter into, the Acquisition Proposal, or effected a Company Adverse Recommendation Change; or
- (3) if the Target shall have failed to deliver the Target Stockholder Consent within one (1) Business Day after the date of the Merger Agreement; or
- (4) if the Closing Net Indebtedness is greater than US\$11,550,000 (equivalent to approximately HK\$90,090,000).

In the event that the Merger Agreement is terminated by reason of, amongst others, paragraphs (C)(1) or (D)(2) above, the Target shall pay a break-up fee of US\$1,500,000 (equivalent to approximately HK\$11,700,000) to FEC OIL.

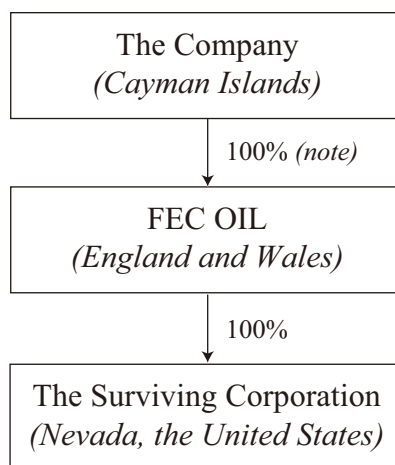
CORPORATE STRUCTURE OF THE PURCHASER AND THE TARGET/SURVIVING CORPORATION BEFORE AND AFTER THE MERGER EFFECTIVE DATE

The following sets out a simplified corporate structure of the Purchaser and the Target/Surviving Corporation immediately before and after the Merger Effective Date:

Immediately before the Merger Effective Date



Immediately after the Merger Effective Date



Note: FEC OIL is an indirect wholly-owned subsidiary of the Company and the shareholding structure between FEC OIL and the Company is simplified in the above charts.

INFORMATION ON FEC OIL, THE PURCHASER AND THE GROUP

FEC OIL is incorporated in England and Wales, and the Purchaser was established and organised under the laws of the State of Nevada, the United States on 7 February 2018 for the purpose of effecting the Merger. Both FEC OIL and the Purchaser are investment holding companies. The Purchaser is directly wholly-owned by FEC OIL, which is an indirect wholly-owned subsidiary of the Company. The Company is an investment holding company and the principal activities of the Group are property development, property investment, hotel operations and management, car park operations and facilities management, and securities and financial product investments.

INFORMATION ON THE TARGET

The Target is organised under the laws of the State of Nevada, the United States and is publicly traded on the Over-The-Counter Markets Group under the symbol “TWOC”. It is primarily engaged in the hospitality and gaming business in Germany, Austria and the Czech Republic. As at the date of this announcement, it owns and operates five hotels and three full-service casinos.

The Gaming Licenses

Basic Licenses

As at the date of this announcement, TWHE, the operating subsidiary of the Target Group in respect of its gaming business in the Czech Republic, has been granted the Basic Licenses.

The types of gambling permitted, type of the game, conditions of the gaming operation are specified in the Basic Licenses. Under the Basic Licenses, TWHE is entitled to operate live and technical games in land-based casinos situated in the Czech Republic allowing players visiting TWHE’s casinos to play such live and technical games under the rules of such games accepted by the Czech Ministry of Finance in the Basic Licenses.

Local Licenses

In addition to Basic Licenses, according to Gambling Act, a license for the gambling premises location is required for bingo, technical game and live game operations. Such license is issued, under delegated jurisdiction, by the municipal authority of the municipality within whose territorial jurisdiction the gambling premises intended for the respective gambling type are to be located.

As at the date of this announcement, TWHE has been granted the following licenses issued by the relevant municipal authorities of the Czech Republic:

- (1) the local license for live games and technical games issued by the Municipality of Dolni Dvoriste for a term of three (3) years from 2 January 2018;
- (2) the local license for lives games and technical games issued by the Municipality of Ceska Kubice for a term of three (3) years from 2 January 2018; and
- (3) the local license for lives games and technical games issued by the Municipality of Hatě for a term of three (3) years from 2 January 2018.

By granting the Local Licenses, the municipal authority approves the casino location, operation of the respective gambling type, opening hours of the gambling premises, and the number of the terminal devices through which the game will be operated, including their types, serial number(s) and the precise quantity of the game access points.

According to the Gambling Act, the applicant for the local licenses is obliged to provide a surety amounting to CZK 10,000,000 (equivalent to approximately HK\$3,800,000) for each casino, subject to a minimum of CZK 20,000,000 (equivalent to approximately HK\$7,600,000) and a maximum of CZK 50,000,000 (equivalent to approximately HK\$19,000,000) for all casinos of one operator.

Business model and operation of the Target Group

According to the business model and operation of the Target Group,

- (a) the gaming activities take place only in the Czech Republic and outside Hong Kong; and
- (b) the bookmaking transactions and parties to the transaction are only in the Czech Republic and outside Hong Kong.

The Target Group is engaged in the development and management of mid-sized hotels in Europe and casinos in the Czech Republic, featuring gaming tables and mechanized gaming devices. The Target Group currently owns and operates two four-star hotels and one three-star hotel in Germany, one four-star hotel in Austria and one four-star hotel in the Czech Republic. In addition to hospitality business, the Target Group also owns and operates three casinos in the Czech Republic under the registered brand American Chance Casinos and features gaming tables and slot machines. One of the casinos is directly connected to the hotel in the Czech Republic, bringing complementary synergy to both businesses.

Legal opinions have been obtained by the Company from qualified lawyers in the relevant regions that all applicable laws and regulations of all relevant regions have been complied with, and the gaming activities do not violate any applicable laws in the Czech Republic and Hong Kong.

Internal controls on Anti-Money Laundering

As an operator of games of chance in the Czech Republic, TWHE is obliged to comply with the AML Act which imposes strict obligations with respect to anti-money laundering protections.

According to the AML Act, TWHE shall:

1. realize the identification of its customers (players) during which TWHE shall record customer identification data and verify them through certificate of identity, if the identity card includes them, and then record the type and number of the identity card, issuing country, issuing authority and the validity; and to verify if the holder matches the photo on presented identification card;
2. perform the customer due diligence during which TWHE shall mainly:
 - (i) monitor the business relationship with its customers including scrutiny of transactions undertaken throughout the course of that business relationship with the purpose of detecting if these transactions are consistent with TWHE's knowledge about the customer, its business and risk profile;

- (ii) perform scrutiny of the sources of funds or other property affected by a transaction or business relationship; and
- (iii) in respect of a business relationship with politically exposed person, adopt adequate measures for identification of the origin of his/her funds.

According to the AML Act, TWHE shall also store the following for a period of ten (10) years since realization of the transaction or termination of business relationship:

1. customers identification data obtained under the AML Act or based on directly applicable Regulation of the European Union adjusting information accompanying wire transfers of funds;
2. the copies of stated documents for identification, if such documents were obtained;
3. data about the person and the date of first performed identification of a customer;
4. information and copies of documents obtained within the customer due diligence under the AML Act; and
5. documents explaining the exemption from identification and customer due diligence under the AML Act.

TWHE is also obliged to store data and documents about realized transactions connected with the obligation of identification for at least ten (10) years after the realization of the transaction or the termination of the business relationship.

Under the AML Act, TWHE shall also:

- (a) introduce and apply adequate strategies and procedures of internal control and communication to mitigate and effectively manage the risks of legitimization of proceeds of crime and financing of terrorism identified in risk assessment; and
- (b) elaborate written system of internal rules, procedures and control measures to fulfil the obligations stipulated in the AML Act, and a part of which shall also be a written risk assessment.

The Company has obtained legal opinion from qualified lawyers in the Czech Republic that TWHE meets all requirements under the AML Act and operates its business activities in accordance with the anti-money laundering legislation of the Czech Republic.

RISKS RELATING TO THE BUSINESS, OPERATIONS AND THE GAMING INDUSTRY IN THE CZECH REPUBLIC

Theoretical win rates for the Target Group's online casino operations depend on a variety of factors, some of which are beyond its control

The gaming industry is characterized by an element of chance. In addition to the element of chance, theoretical win rates are also affected by other factors, including players' skill and experience, the financial resources of players, the spread of table limits, the volume of bets placed by players and the amount of time players spend on gambling, the Target Group's actual win rates may therefore differ greatly over short time periods and could cause volatility in the Target Group's results. These factors, alone or in combination, have the potential to negatively impact the Target Group's win rates, and its business, financial condition and results of operations could be materially and adversely affected.

The Target Group is subject to gaming regulations in the Czech Republic, non-compliance with which may result in suspension or revocation of licenses granted to the Target Group and may significantly affect the Target Group's business

The gambling operations of the Target Group are subject to regulation by each federal and local jurisdiction of the Czech Republic in which the Target Group operates. Furthermore, the operations of the casinos are contingent upon maintaining all necessary regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations. The laws, regulations and ordinances requiring these licenses, permits and other approvals generally relate to the operations of the casinos, the payment of taxes, the responsibility, financial stability and character of the owners and managers of gambling operations, as well as persons financially interested or involved in gambling operations. All of the casinos are duly licensed by the Regulators, and the Target Group is subject to ongoing regulation to maintain these operations. Czech regulatory authorities have broad powers to limit, condition, suspend or revoke a registration, gaming license or related approval and to approve changes in operations of the Target Group. The suspension or revocation of any license which may be granted to the Target Group could significantly harm its business, financial condition, results of operations and prospects. Any change in the laws, regulations or licenses applicable to the business or a violation of any current or future laws or regulations applicable to the business or gaming licenses could require the Target Group to make substantial expenditures or could otherwise negatively affect its gambling operations.

The Target Group may face significant competition from other gaming companies operating in the same region

The gaming industry faces competition from a variety of sources for discretionary consumer spending including spectator sports and other entertainment and gaming options, as well as home entertainment alternatives. Competitive gambling activities include traditional casinos, video lottery terminals, internet gaming, sports betting, state-sponsored lotteries and other forms of legalized gaming in the Czech Republic, Germany, Austria and in other jurisdictions. These established gambling jurisdictions could award additional gaming licenses or permit the expansion of existing gambling operations. If additional gaming opportunities become available near the Target Group's operations, such gaming opportunities could have a material adverse impact on the Target Group's business.

The growth of internet gaming may affect competition in the gaming industry, which may significantly impact the Target Group's business

Internet gaming and wagering is growing rapidly and is affecting competition in the gaming industry. Web-based businesses may offer consumers a wide variety of events to wager on, including other games, racetracks and sporting events. Unlike most web-based gaming companies, the Target Group pays taxes in the jurisdictions in which it operates and its operations require ongoing capital expenditures for both the continued smooth operations, maintenance, renovation and growth. The Target Group could also face significantly greater costs in operating its business compared to these "virtual" internet gaming companies. The Target Group cannot offer the same number of gaming options as internet-based gaming companies. Many internet-based gaming companies are located off-shore and avoid regulation under applicable Czech laws. These companies may divert wagering dollars from live wagering venues, such as casinos of the Target Group. The continued growth and success of these on-line ventures could have a material adverse impact on Target Group's business.

The Target Group is subject to anti-money laundering laws or regulations, violations of which could adversely affect its business

The Target Group deals with significant amounts of cash in its operations and is subject to various reporting and anti-money laundering laws and regulations.

Internal control policies and procedures and employee training and compliance programs that the Target Group has implemented to prevent prohibited practices may not be effective in deterring its directors, employees, contractors or agents from violating or circumventing its policies and the law. If the Target Group or its directors, employees or agents fail to comply with applicable laws or company policies governing its operations, the Target Group may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any such government investigations, prosecutions or other legal proceedings or actions could adversely affect the Target Group's business, performance, prospects, value, financial condition, and results of operations.

Recent changes in the gambling laws in the Czech Republic may result in decreased attendance and play at the Target Group's casinos that may persist for the foreseeable future

The Gambling Act which was effective from 1 January 2017 has, among other things:

- (i) restricted the Target Group's ability to advertise its services on the buildings and on highway billboards and has required the Target Group to note on any advertisements that gambling can lead to addiction and is available only to persons older than 18 years of age;
- (ii) instituted new anti-money laundering requirements, including the need for customers to fill out new forms that state the source of their funds and that they do not support criminal or terrorist activities;

- (iii) have limited slot machine payouts;
- (iv) required the implementation of a casino management system that essentially tracks all customers from the time they enter the premises until the time they leave, contributing to the feeling among the customers that they have lost their ability to gamble anonymously (for personal or other reasons);
- (v) eliminated the provision of free food and beverages to the customers who now must pay for such services instead of being “comped” which provided an added element of prestige and respect for certain players; and
- (vi) the institution of a “cooling off” period for slots players who must stop playing after 2 hours of play without a 15-minute break.

The cumulative effect of these new laws may have a negative effect on the customer base and may result in a decrease in attendance and/or gaming drop, which will have an adverse effect on the Target Group’s profitability and financial condition.

LEGAL OPINION AND REGULATORY ENVIRONMENT

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

Having reviewed and considered these legal opinions, the Company is satisfied that:

- (a) TWHE, being the operating subsidiary of the Target Group in respect of its gaming business in the Czech Republic, has been duly granted the Gaming Licenses, which remain valid as at the date of this announcement, and no breach or compliant of breach of the terms and conditions of the Gaming Licenses has been recorded by the Regulators;
- (b) the gaming business of TWHE has not violated the applicable laws of the Czech Republic; and
- (c) the gaming business of TWHE is not unlawful under the Gambling Ordinance of the laws of Hong Kong in that the relevant gambling activities being take place outside Hong Kong and the bookmaking transactions and practices to the transactions are outside Hong Kong.

The gaming business of the Target Group is subject to the governing of the Gambling Act.

The Gambling Act in the Czech Republic

Games of chance operation in the Czech Republic is governed by the Gambling Act.

According to the Gambling Act, gambling is defined as a game of chance; betting; or, a lottery in which the participant wagers a bet, while no return on such bet is guaranteed, and, the winning or loss on which is entirely or partly subject to chance or unknown circumstance. The following types of gambling are regulated by the Gambling Act and may be operated in the Czech Republic:

- (1) lottery;
- (2) odds bet;
- (3) totalizator game;
- (4) bingo;
- (5) technical game;
- (6) live game;
- (7) raffle; and
- (8) small size tournament.

In order to apply for Gaming Licenses under the Gambling Act, background checks on applicants, the gaming systems, financial security, corporate competency, and business plan of the applicants and the relevant companies are required to be conducted. Please refer to the section headed “Information on the Target — The Gaming Licenses” for details of the Gaming Licenses obtained by TWHE.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target

For the year ended 31 December 2016, total revenue of the Target Group grew by 25.6% to approximately US\$53.2 million, compared with approximately US\$42.4 million a year ago. The Target Group also achieved an EBITDA of approximately US\$11.5 million, representing a 56.5% increase over the approximately US\$7.3 million for the prior year. The net income climbed 63.9% to approximately US\$6.3 million, as compared with approximately US\$3.9 million for the prior year. The properties in hotel segment posted improved occupancy and revenues throughout 2016.

For the nine months ended 30 September 2017, total revenue of the Target Group increased by 6.3% to approximately US\$41.2 million, compared with approximately US\$38.8 million for the nine months ended 30 September 2016, primarily due to the contribution of revenue from two hotels which were acquired by the Target Group in December 2016 and March 2017 respectively. With the impact of new gambling regulations being effective in 2017, which include an increase in the gaming tax and various operational and compliance changes as detailed in the section headed “Risks Relating to the Business, Operations and the Gaming Industry in the Czech Republic”, the net income decreased by 35% to approximately US\$2.9 million, as compared with approximately US\$4.5 million for the same period in the prior year.

The following are the consolidated audited financial information of the Target Group as at and for the year ended 31 December 2015 and 31 December 2016, respectively, and the consolidated unaudited financial information of the Target Group as at and for the nine months ended 30 September 2016 and 30 September 2017, respectively, which were prepared in accordance with the accounting principles generally accepted in the United States of America:

	For the year ended		For the nine months ended	
	31 December		30 September	
	2015	2016	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	42,386	53,238	38,761	41,218
EBITDA	7,321	11,454	8,369	5,813
Income from operations	5,309	9,110	6,679	3,277
Income before income tax expense	5,252	8,991	6,494	3,774
Net income	3,858	6,323	4,525	2,924
	As at 31 December		As at 30 September	
	2015	2016	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Total assets	55,239	66,104	61,269	82,246
Total liabilities	15,070	20,448	14,705	25,038
Total equity	40,169	45,656	46,564	57,208

REASONS FOR AND BENEFITS OF THE MERGER

The Board considers that the entering into of the Merger Agreement:

- (a) would add five hotel properties and three casinos to the Group's portfolio and is a good opportunity for the Group to expand its hospitality offerings in Europe and establish a gaming platform;
- (b) would add some of the best casino assets in the region to the Group and benefit the Group with further development opportunities from recent regulatory changes; and
- (c) would provide an additional stream of steady recurring cash flows and profits to the Group given the strong growth track record of the Target Group with improving operating efficiency.

The Board are of the view that the terms of the Merger Agreement and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“AML Act”	the Czech Act No. 523/2008 Coll. on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism
“Board”	the board of Directors
“Basic Licenses”	the basic license for live games and the basic license for technical games, each issued by the Czech Ministry of Finance to TWHE for a term of six years from 2 January 2018
“Business Day”	any day other than a day on which banks in the State of Nevada, the United States are required or authorised to be closed
“Closing”	the closing of the Merger

“Closing Net Indebtedness”	the difference of (i) the absolute value of the relevant indebtedness of the Target Group, minus (ii) the sum of its cash, cash equivalents, marketable securities and the amount deposited in the Czech Republic to support the bond obtained in connection with the gaming application submitted by the Target Group, in each instance, as of the day which is five (5) Business Days prior to the date of Closing
“Company”	Far East Consortium International Limited (遠東發展有限公司*), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35)
“connected person”	has the meaning ascribed to such term in the Listing Rules
“CZK”	Czech Koruna, the lawful currency of the Czech Republic
“Director(s)”	the directors of the Company
“Dissenting Share(s)”	the holders of which have dissented with respect to such Target Shares under the applicable laws of Nevada, the United States
“EBITDA”	net income before interest expense, income tax expense, depreciation and amortization
“Exception Share(s)”	Target Shares held by the Target, FEC OIL or the Purchaser and/or any of their respective subsidiaries
“FEC OIL”	FEC Overseas Investment (UK) Limited, a company incorporated in England and Wales and an indirect wholly-owned subsidiary of the Company
“Gambling Act”	Czech Act No. 186/2016 Coll, on gambling effective from 1 January 2017
“Gaming Approval(s)”	all permits, registrations, findings of suitability, entitlements, waivers and exemptions issued by any governmental or regulatory authorities with authority or jurisdiction over casino or other gaming activities necessary for or relating to conduct and operation of gaming and related activities, and in the case of the Target Group, including the ownership, operation, management and development of the gaming business conducted by the Target Group
“Gaming Licenses”	the Basic Licenses and the Local Licenses

“Guidance Letter”	the Stock Exchange’s guidance letter HKEx-GL71-14 (January 2014) in relation to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers”
“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 People’s Republic of China
“Income from operations”	Income before interest expense, income tax expense and other income
“Local Licenses”	the following licenses obtained by TWHE: <ul style="list-style-type: none"> (1) the local license for live games and technical games issued by the Municipality of Dolni Dvoriste for a term of three (3) years from 2 January 2018; (2) the local license for lives games and technical games issued by the Municipality of Ceska Kubice for a term of three (3) years from 2 January 2018; and (3) the local license for lives games and technical games issued by the Municipality of Hatě for a term of three (3) years from 2 January 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger”	the proposed merger of the Purchaser with and into the Target after the Closing in accordance with the applicable laws of the State of Nevada, the United States
“Merger Agreement”	the agreement and plan of the Merger dated 2 March 2018 and entered into between the Company, FEC OIL, the Purchaser and the Target
“Merger Effective Date”	the effective date of the Merger
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Purchaser”	FEC Investment (US) Limited, a company organised under the laws of the States of Nevada, the United States and a wholly-owned subsidiary of FEC OIL

“Regulators”	the Czech Ministry of Finance and the relevant municipal authorities of the Czech Republic
“Share(s)”	ordinary share of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surviving Corporation”	the surviving corporation of the Merger upon the Merger becoming effective
“Target”	Trans World Corporation, a company organised under the laws of the States of Nevada, the United States
“Target Group”	the Target and its subsidiaries
“Target Share(s)”	share(s) of common stock of the Target, par value of US\$0.001 per share
“TWHE”	Trans World Hotels & Entertainment, a. s., a joint stock company incorporated in the Czech Republic and an indirect wholly-owned subsidiary of the Target
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

Unless otherwise specified, amounts in this announcement denominated in US\$ and CZK were translated for the purpose of illustration only into HK\$ at the rates of US\$1.00: HK\$7.80 and CZK1.00: HK\$0.38, respectively. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

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

Hong Kong, 5 March 2018

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