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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 INVOLVING THE SETTLEMENT

THE SETTLEMENT

The Board wishes to announce that on 27 July 2021, Guangdong Trust Real Estate, Star Bridge (an indirect wholly-owned subsidiary of the Company), the JV Company and Wanxi entered into the Settlement Agreement, pursuant to which, amongst others, (i) the JV Company will be wound up, and (ii) the Legal Proceedings will be withdrawn.

LISTING RULES IMPLICATIONS

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

* *For identification purposes only*

INTRODUCTION

The Board wishes to announce that on 27 July 2021, Guangdong Trust Real Estate, Star Bridge (an indirect wholly-owned subsidiary of the Company), the JV Company and Wanxi entered into the Settlement Agreement, pursuant to which, amongst others, (i) the JV Company will be wound up, and (ii) the Legal Proceedings will be withdrawn.

There has been Legal Proceedings between Guangdong Trust Real Estate, Star Bridge and the JV Company, and the relevant parties have agreed to enter into the Settlement Agreement.

THE SETTLEMENT

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

Date

27 July 2021

Parties

- (1) Guangdong Trust Real Estate
- (2) Star Bridge
- (3) JV Company
- (4) Wanxi

Subject matter

Pursuant to the Settlement Agreement, Guangdong Trust Real Estate, Star Bridge, the JV Company and Wanxi agree, amongst others, (i) the JV Company will be wound up, and (ii) the Legal Proceedings will be withdrawn.

Consideration

The Consideration for the Settlement is RMB408,000,000 (equivalent to approximately HK\$489,600,000). Subject to the provisions under the Settlement Agreement, the Consideration shall be paid by Guangdong Trust Real Estate (or its affiliate as specified by Guangdong Trust Real Estate) to Star Bridge (or its affiliate as specified by Star Bridge) in the following manner:

- (a) the first installment of RMB100,000,000 (equivalent to approximately HK\$120,000,000) to be paid within 15 days from the date of the Settlement Agreement;
- (b) the second installment of RMB150,000,000 (equivalent to approximately HK\$180,000,000) to be paid before 31 December 2021; and
- (c) the third installment of RMB158,000,000 (equivalent to approximately HK\$189,600,000) to be paid before 30 September 2022.

The Consideration was determined after arm's length negotiations with reference to, among other things, the potential value if the Mandatory Enforcement Action is carried out and the expenses relating to the Legal Proceedings and the winding up of the JV Company.

Withdrawal of Legal Proceedings

Within 14 days from the date of the Settlement Agreement, Star Bridge shall, amongst others, promptly apply to the court for suspension of the Mandatory Enforcement Action, and the JV Company shall promptly apply to the court for withdrawal of the Appeal, failing which the first installment of the Consideration may be postponed.

Before the deadline for the payment of the third installment of the Consideration, Star Bridge shall, amongst others, apply to the court for withdrawal/termination of the Mandatory Enforcement Action and set up a liquidation team to commence the winding up of the JV Company, failing which the third installment of the Consideration may be postponed.

Winding up of the JV Company

Within 3 months of Star Bridge receiving the full payment of the Consideration, Star Bridge shall complete the winding up process of the JV Company.

FINANCIAL INFORMATION OF THE JV COMPANY

The following are the financial information of the JV Company as at and for the two financial years ended 31 March 2020 and 31 March 2021, and are extracted from the unaudited management accounts of the JV Company:

	For the year ended 31 March 2021 (RMB'000) (unaudited)	For the year ended 31 March 2020 (RMB'000) (unaudited)
Net loss before taxation	(431)	(243)
Net loss after taxation	<u>(431)</u>	<u>(243)</u>
	As at 31 March 2021 (RMB'000) (unaudited)	As at 31 March 2020 (RMB'000) (unaudited)
Net assets	37,993	38,424
Total assets	<u>38,011</u>	<u>38,434</u>

FINANCIAL EFFECT OF THE SETTLEMENT

The Directors estimate that upon receiving the full payment of the Consideration, the Group is expected to record a gain from the Settlement of approximately RMB302,000,000 (equivalent to approximately HK\$362,400,000), being the difference between (i) the Consideration and (ii) the aggregate of the estimated book carrying value of the JV Company attributable to the Group upon the winding up of the JV Company and the estimated expenses in relation to the Settlement.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Settlement will be used for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE SETTLEMENT

Based on the assessment of the Company on the time, costs and effort to continue the Legal Proceedings, the Board considers that the Settlement will allow the Group to be appropriately compensated.

The Directors are of the view that the terms of the Settlement Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE JV COMPANY

The JV Company is owned as to 85% by Star Bridge and 15% by Guangdong Trust Real Estate. The JV Company is principally engaged in the real estate business, and has been granted with the Arbitral Award. Upon the winding up of the JV Company, the JV Company will cease to be a subsidiary of the Company and its financial statements will no longer be consolidated into the Group's financial statements.

INFORMATION ON STAR BRIDGE AND THE GROUP

Star Bridge is an investment holding company, and 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, gaming and related operations, securities and financial product investments, and provision of mortgage services.

INFORMATION ON GUANGDONG TRUST REAL ESTATE AND WANXI

The following information on Guangdong Trust Real Estate and Wanxi is based on publicly available information.

Guangdong Trust Real Estate's principal business is property development.

Wanxi's operating scope includes enterprise management services (save for those involved in permitted operations), enterprise headquarters management, investment consultation services, property management and house leasing.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Guangdong Trust Real Estate and Wanxi and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios for the Settlement exceeds 5% but all of the applicable Percentage Ratios are less than 25%, the Settlement constitutes 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, unless the context otherwise requires, the following expressions shall have the following meanings:

“Appeal”	the appeal by the JV Company against, amongst others, Guangdong Trust Real Estate in relation to the Land under case number (2020) Yue 0103 Min Chu No. 8853 ((2020)粵0103民初8853號)
“Arbitral Award”	the arbitral award under case number (2008) Sui Zhong An Zi No. 252 ((2008)穗仲案字第252號) confirming, amongst others, the Land Use Rights to be vested in the JV Company
“Board”	board of Directors
“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)
“Consideration”	the aggregate settlement amount payable by Guangdong Trust Real Estate to Star Bridge in respect of the Settlement, being RMB408,000,000 (equivalent to approximately HK\$489,600,000)
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Trust Real Estate”	Guangdong Trust Real Estate Development Co., Ltd.* (廣東省信託房產開發有限公司), a limited liability company in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Guangzhou Dong Qiao Real Estate Development Co., Ltd.* (廣州市東僑房地產開發有限公司), a limited liability company in the PRC, and owned as to 85% by Star Bridge and 15% by Guangdong Trust Real Estate
“Land”	Land parcel numbered Sui Fu Guo Yong [2004] No. 105 (穗府國用[2004]105號地塊) which is situated in Guangzhou

“Land Use Rights”	the land use rights over the Land, which are still registered under the name of Guangdong Trust Real Estate as at the date of the Settlement Agreement
“Legal Proceedings”	the Mandatory Enforcement Action and the Appeal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandatory Enforcement Action”	the mandatory enforcement procedure of the Arbitral Award under case number (2008) Sui Zhong Fa Zhi Zi No. 1646 ((2008)穗中法執字第1646號)
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement”	the settlement under the Settlement Agreement, including the winding up of the JV Company and the withdrawal of the Legal Proceedings
“Settlement Agreement”	the settlement agreement entered into between Guangdong Trust Real Estate, Star Bridge, the JV Company and Wanxi in respect of the Settlement
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Star Bridge”	Star Bridge Development Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wanxi”	Guangzhou Wanxi Enterprise Management Co., Ltd.* (廣州市萬溪企業管理有限公司), a limited liability company in the PRC
“%”	per cent.

For the purpose of this announcement and for illustration purpose only, conversion of RMB to HK\$ is based on the exchange rate of RMB1 to HK\$1.2. No representation is made that any amounts in RMB 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, 27 July 2021

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.