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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 IN RELATION TO AFFORDABLE HOUSING UNITS AT CONSORT PLACE, LONDON

The Board is pleased to announce that on 21 October 2021, the Developer, the Developer's Guarantor, the Purchaser and the Purchaser's Guarantor entered into the Development Agreement, pursuant to which the Developer shall grant with full title guarantee and the Purchaser's Guarantor shall accept the Lease, and the Developer shall carry out the Works, at a consideration of £42,649,685.27 (equivalent to approximately HK\$456,352,000) inclusive of value added tax.

As one or more of the applicable Percentage Ratios of the Transaction exceeds 5% but all of the applicable Percentage Ratios are less than 25%, the Transaction constitutes 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 21 October 2021, the Developer, the Developer's Guarantor, the Purchaser and the Purchaser's Guarantor entered into the Development Agreement, pursuant to which the Developer shall grant with full title guarantee and the Purchaser's Guarantor shall accept the Lease, and the Developer shall carry out the Works, at a consideration of £42,649,685.27 (equivalent to approximately HK\$456,352,000) inclusive of value added tax.

THE DEVELOPMENT AGREEMENT

Date

21 October 2021

* *For identification purposes only*

The parties

- (1) the Developer
- (2) the Developer's Guarantor
- (3) the Purchaser
- (4) the Purchaser's Guarantor

Subject matter

Subject to the satisfaction of the Conditions and in consideration of the Deposit and the Golden Brick Payment paid by the Purchaser and/or the Purchaser's Guarantor (as applicable) to the Developer, the Developer shall grant with full title guarantee and the Purchaser's Guarantor shall accept the Lease on the Completion Date. Further, the Developer shall carry out the Works in accordance with the Development Agreement.

A lease is generally used as the form of legal documentation for the sale of new-build apartment properties in the United Kingdom. The effect of full title guarantee is to imply certain covenants by law on the part of the Developer which effectively confirm that the Developer has the right to dispose the Property and will do so reasonably, free from all charges, encumbrances and adverse rights which the Developer has not disclosed to the Purchaser, does not know about and could not reasonably be expected to know about.

Consideration and the payment terms

The consideration for the Transaction is £42,649,685.27 (equivalent to approximately HK\$456,352,000) which shall be paid in the following manner:

- (a) the Deposit has been paid by the Purchaser to the Developer on the date of the Development Agreement;
- (b) the Golden Brick Payment shall be payable by the Purchaser and/or the Purchaser's Guarantor (as applicable) to the Developer on the Completion Date;
- (c) subject to the Golden Brick Date having occurred, the Balancing Payments shall be paid by the Purchaser as follows:
 - (i) each Balancing Payment shall be payable to the Developer within 15 Working Days of submission to the Purchaser of the monthly valuation of the Works that have been carried out in the period up to the expiry of the preceding month(s) but less any Works that have already been included in previous valuation of the Works, relating to the construction of the Affordable Housing Units as determined by the employer's agent appointed by the Developer; and
 - (ii) to the extent that there is any residual balance of the Consideration outstanding at the Practical Completion Date, this shall be payable by the Purchaser or the Purchaser's Guarantor (as applicable) immediately upon the issue of the Certificate of Practical Completion (subject to the provisions of the Development Agreement);

- (d) upon the issue of the notice of making good defects at the end of the Defects Liability Period, the Purchaser/Purchaser's Guarantor (as applicable) shall immediately release the balance of any and all retention monies withheld against the Balancing Payments and shall in any event ensure the release of such monies within 15 Working Days of the issue of the notice of making good defects.

The Consideration of £42,649,685.27 (equivalent to approximately HK\$456,352,000) was determined taking into account, amongst others, the land, design and construction costs in relation to the Property.

Actual Completion

The Completion Date shall be 10 Working Days after (but not including) the date the last of the Conditions have been satisfied. The Purchaser's Guarantor shall accept the Lease on the Completion Date. The Property is sold subject to an unfettered, unrestricted and irrevocable (save in the case of termination of the Development Agreement) licence in favour of the Developer and all those authorised by the Developer to enter onto the Property for the purposes of fulfilling its obligations in the Development Agreement and subject to the encumbrances but otherwise with vacant possession on Actual Completion.

Prior to and as a condition of Actual Completion, the Developer shall procure that:

- (a) the PCG Deed of Assignment is executed by the Developer and submitted to the solicitors of the Purchaser to hold in escrow strictly subject to the provisions of the Development Agreement and the conditions set out in the PCG Deed of Assignment being satisfied; and
- (b) the contractor's guarantor provides written consent to the matters reflected in the PCG Deed of Assignment.

If the Certificate of Practical Completion has not been issued by the Longstop Date and such date occurs before Actual Completion, the Purchaser can terminate the Development Agreement and the Deposit shall be refunded by the Developer to the Purchaser with any accrued interest. If the Certificate of Practical Completion has not been issued by the Longstop Date and such date occurs after Actual Completion, the Purchaser (or the Purchaser's Guarantor, as applicable) may, amongst others, by serving written notice upon the Developer terminate the Development Agreement and the licence granted to the Developer under the Development Agreement shall determine and the obligations on the part of the Developer in the Development Agreement shall cease and be of no effect, and the Purchaser shall be under no liability to the Developer in respect thereof save in respect of the Purchaser's obligations to pay the Developer the cost of the Golden Brick Works and Fit-out Works that have been carried out prior to the date of termination in accordance with the Development Agreement (which shall survive any such termination), but this shall be without prejudice to any right of action or remedy of any party under the Development Agreement against the others in respect of any antecedent breach of any obligations on their respective parts contained in the Development Agreement.

Purchaser's guarantee obligations

The Purchaser's Guarantor guarantees to the Developer the due and punctual performance, observance and discharge by the Purchaser of all present and future obligations and liabilities of the Purchaser under the Development Agreement, including the obligation to enter into and complete the Lease and all money and liabilities of any nature from time to time, owing or incurred by the Purchaser under the Development Agreement (or any agreement entered into pursuant to or in connection with it) if and when they become performable or due under the Development Agreement or (as the case may be) any agreement entered into pursuant to or in connection with it.

Developer's guarantee obligations

The Developer's Guarantor guarantees to the Purchaser the due and punctual performance, observance and discharge by the Developer of all present and future obligations and liabilities of the Developer under the Development Agreement, including all money and liabilities of any nature from time to time, owing or incurred by the Developer under the Development Agreement (or any agreement entered into pursuant to or in connection with it) if and when they become performable or due under the Development Agreement or (as the case may be) any agreement entered into pursuant to or in connection with it.

FINANCIAL EFFECT OF THE TRANSACTION

The estimated value of the Property when completed, is expected to be £42,649,685.27 (equivalent to approximately HK\$456,352,000), which was determined taking into account, amongst others, the land, design and construction costs in relation to the Property. The Group is expected to record break even from the Transaction.

USE OF PROCEEDS

The Directors expect that the sale proceeds from the Transaction is intended to be used as construction costs of the Property and general working capital of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the Transaction will assist fulfillment of affordable and social housing obligations applicable to the Site in accordance with local, regional and national policy and planning requirements in the United Kingdom so as to help meet the need for affordable housing in the United Kingdom, especially within the London Borough of Tower Hamlets. The Directors consider that the Transaction highlights the Group's commitment to its environment, social and governance agenda and to advance the social cause through the development of affordable housing.

The Directors are of the view that the terms of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PROPERTY

The Property is situated at Consort Place, London. The Property will be used for social and affordable residential apartment purposes. The anticipated net sales area of the Property is expected to be approximately 9,359 square metres.

INFORMATION ON THE DEVELOPER, THE DEVELOPER'S GUARANTOR AND THE GROUP

The Developer is an indirect wholly owned subsidiary of the Company and is principally engaged in property development.

The Developer's Guarantor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding and property investment.

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 THE PURCHASER AND THE PURCHASER'S GUARANTOR

The Purchaser is a wholly owned subsidiary of the Purchaser's Guarantor, and is principally engaged in providing design and build construction services to other members of the Clarion housing group, which it provides by way of procurement from external contractors and consultants.

The Purchaser's Guarantor is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 with exempt charity status under the Charities Act 2011. The Purchaser's Guarantor is a wholly owned subsidiary of Clarion Housing Group Limited. The Purchaser's Guarantor is principally engaged in the provisions and development of social housing across England.

Clarion Housing Group Limited is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014. It is formed for the benefit of the community, namely in the provision of social housing and other charitable objects.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the Purchaser, the Purchaser's Guarantor 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 of the Transaction exceeds 5% but all of the applicable Percentage Ratios are less than 25%, the Transaction 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:

“Actual Completion”	the date of actual completion of the Lease
“Affordable Housing Units”	the 139 residential units to be identified as affordable housing units together with all internal areas exclusively used by such residential units including the entrance to such residential units, lift and stair cores
“Balancing Payments”	£30,049,684.27 (equivalent to approximately HK\$321,532,000) split over the period from the Golden Brick Date to the Practical Completion Date, payable by way of monthly valuations in accordance with the Development Agreement and subject to a 1.5% retention to be released upon the expiry of the Defects Liability Period
“Board”	board of Directors
“Certificate of Practical Completion”	the certificate or written statement issued by the employer’s agent as appointed by the Developer certifying that the Fit-out Works are practically complete according to the terms of the fit-out contract as referred to in the Development Agreement
“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 Date”	10 Working Days after (but not including) the date the last of the Conditions have been satisfied

“Conditions”	<ul style="list-style-type: none"> (i) the occurrence of the Golden Brick Date; and (ii) the Developer has provided the Purchaser with: <ul style="list-style-type: none"> (a) evidence that the restriction contained at entry B3 of the proprietorship register of the title number of the Site as at the date of the Development Agreement has been removed or replaced such that it does not apply to the grant of the Lease; or (b) a certificate signed by The London Borough of Tower Hamlets or a conveyancer in accordance with the restriction contained at entry B3 of the proprietorship register of the title number of the Site or in accordance with any other relevant restriction noted on the title number of the Site and applying to the grant of the Lease at the time of the Completion Date
“Consideration”	£42,649,685.27 (equivalent to approximately HK\$456,352,000) inclusive of value added tax
“Defects Liability Period”	the 24 month period for making good defects, shrinkages or other faults in the Works under each of the building contract and the fit-out contract relating to the Affordable Housing Units
“Deposit”	£4,200,000 (equivalent to approximately HK\$44,940,000)
“Developer”	Drakar Limited, a company incorporated in the Isle of Man with limited liability, an indirect wholly owned subsidiary of the Company
“Developer’s Guarantor”	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of the Company
“Development Agreement”	the development agreement entered into between the Developer, the Developer’s Guarantor, the Purchaser and the Purchaser’s Guarantor in respect of the Transaction
“Director(s)”	the director(s) of the Company
“Fit-out Works”	the design and carrying out of the fit out of and other works to the Affordable Housing Units from the Golden Brick Date to be carried out in accordance with the Development Agreement

“Golden Brick Date”	the date on which the Golden Brick Works certificate is issued to all parties by the employer’s agent as appointed by the Developer in accordance with the Development Agreement
“Golden Brick Payment”	£8,400,001 (equivalent to approximately HK\$89,880,000)
“Golden Brick Works”	the design and construction of the West Tower (being the superstructure that will house the Affordable Housing Units) comprising partly constructed dwellings to level 20 of the concrete frame as further described and in accordance with the Development Agreement
“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
“Lease”	the lease of the Property for a term of 999 years reserving a peppercorn rent
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 September 2025
“PCG Deed of Assignment”	the deed of assignment in respect of the parent company guarantee given to the Developer by the contractor’s guarantor in relation to the fit-out contract dated 15 June 2021
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Practical Completion Date”	the date the Certificate of Practical Completion is issued
“Property”	the Affordable Housing Units to be built within the Site and to be constructed by the Developer in accordance with the planning permission issued by The Greater London Authority
“Purchaser”	Affinity Sutton Professional Services Limited, a company incorporated in the United Kingdom with limited liability
“Purchaser’s Guarantor”	Clarion Housing Association Limited, a registered society under the Co-operative and Community Benefits Societies Act 2014

“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Site”	land situated at Consort Place, London and registered at HM Land Registry under the title number AGL485162 (freehold)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Development Agreement (including the grant with full title guarantee, the acceptance of the Lease and the carrying out of the Works)
“Working Day(s)”	a day other than a Saturday, Sunday or public holiday on which banks generally are open for business in London
“Works”	the Golden Brick Works and the Fit-out Works
“%”	per cent
“£”	Great British Pound, the lawful currency of the United Kingdom

For the purpose of this announcement and for illustration purpose only, conversion of £ to HK\$ is based on the exchange rate of £ to HK\$10.7. No representation is made that any amounts in £ 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, 21 October 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.