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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)**

### **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE MORTGAGE PORTFOLIO IN HONG KONG**

References are made to the announcements of Far East Consortium International Limited dated 22 May 2025 and 27 May 2025 (the “**Announcements**”) regarding a discloseable transaction in relation to the mortgage portfolio in Hong Kong. Unless otherwise defined, capitalized terms used in this announcement shall be the same as those defined in the Announcements. This announcement is to provide further information in relation to the Transactions.

#### **Further details of the Underlying Loans and the MPSA**

The Underlying Loans represent first-lien mortgage facilities offered by the Group to finance customers’ purchases of the Group’s residential development units in Hong Kong with contractual maturities ranging from May 2029 to September 2049. The total outstanding principal amount of the Underlying Loans as at 31 March 2025 was HK\$550,975,575 with no impairment having been provided in the Company’s accounts.

The Seller will act as a transitional servicer for the Beneficial Title Purchaser in managing the Mortgage Assets in the short run, and it is expected that the Beneficial Title Purchaser will engage other credit servicers to manage the Mortgage Assets after the short-term transitional period.

The Disposal Transaction does not form part of the Mortgage Assets and the Underlying Loans. The Company will comply with applicable Listing Rules requirements as and when appropriate in respect of the Disposal Transaction.

\* For identification purposes only

## **Further details of the Developer Undertaking**

As disclosed in the Announcements, the maximum purchase price for each Defaulted Loan or Affected Loan will be approximately 88% of the aggregate outstanding principal amount of the relevant Defaulted Loan or Affected Loan. The maximum purchase price for each Defaulted Loan or Affected Loan was based on the Purchase Price, whilst the Purchase Price was determined based on a discount on the book value determined by the yield difference between the prevailing market interest rate and the current generating yield of the Mortgage Assets.

## **Further details of the Participation Agreement**

The percentage of economic participation of the Developer in the Participation Agreement is 28.41%. The participation amount of HK\$137,735,374.19 was determined after arm's length negotiations with reference to, among other things, prevailing market conditions, the Senior Participants' commercial appetite in the Purchased Assets, and the economic benefit to be conferred to the Junior Participant.

The Purchased Assets represented the Mortgage Assets of all Underlying Loans but excludes any Underlying Loan which, after MPSA Completion, ceases to be beneficially owned by the Beneficial Title Purchaser. Underlying Loans may cease to be beneficially owned by the Beneficial Title Purchaser when (i) any Defaulted Loan and Affected Loan being purchased by the Company under the Developer Undertaking; (ii) any Underlying Loans being sold by the Beneficial Title Purchaser to other third party; and (iii) any Underlying Loans being fully repaid by the mortgagors.

## **Reasons and benefits for the Transactions and the Participation**

The Board considers that the Transactions and the Participation are fair and reasonable and in the interests of the Company as a whole in view of the following:

- The Mortgage Assets remain recognised as loan receivables of the Group under the applicable accounting standard. The cash proceeds received from the Disposal will improve the liquidity of the Group.
- As the Group will no longer be the mortgagee of the Underlying Loans, it will realise the following cost-savings, (a) eliminates ongoing operational costs for loan servicing, collection activities and system maintenance; and (b) reduces operational overheads (e.g. IT infrastructure) associated with portfolio management.
- Through the Participation, the Group will receive economic benefits without incurring maintenance cost of the Mortgage Assets.

## **Further details of the counterparties**

SLO III is a private fund registered under the Cayman Islands Private Funds Act which has more than 10 investors including public pensions, sovereign wealth funds and other investors. The largest investor holds no more than 25% of the total capital commitment of SLO III.

As disclosed in the Announcements, the shares of the Legal Title Purchaser are held in trust by Madison Pacific Trust Limited (as original trustee) pursuant to a declaration of trust dated 9 May 2025, for one or more qualified charities as the trustees may select under the terms of such declaration of trust and/or the Beneficial Title Purchaser, and Madison Pacific Trust Limited has no beneficial ownership in the shares. Based on the information available to the Company after making reasonable enquiries, the qualified charity selected by the trustee as at the date of this announcement is Hong Kong Jockey Club.

## **Financial effects of the Transactions**

While the beneficial interests to the Mortgage Assets and the Underlying Loans are transferred to the Beneficial Title Purchaser under the MPSA, the transaction structure results in the Group retaining substantially all the risk of default by the borrowers of the underlying Mortgage Assets under the Developer Undertaking. The transfer of legal title under the MPSA, without the concomitant transfer of the predominant risk, is an arrangement that does not result in the surrender of control or the risks and rewards necessary for derecognition under applicable accounting standards. As such, the Mortgage Assets continue to be recognised in full on the Group's statement of financial position as loan receivables, and there is no financial effect (e.g., gain/loss on disposal) arising from the Transactions at the MPSA Completion date.

The Group's cash would increase upon receipt of the cash proceeds from the Disposal and there would also be an increase in the Group's other payables. The amount of net debt and net gearing ratio of the Group would be improved as a result of increase in bank and cash balances while the Group's total debt remained unchanged.

By order of the Board of  
**Far East Consortium International Limited**  
**Wai Hung Boswell CHEUNG**  
*Company Secretary*

Hong Kong, 1 August 2025

*As at the date of this announcement, the Board comprises six executive directors, namely Tan Sri Dato' David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS, Ms. Wing Kwan Winnie CHIU and Ms. Jennifer Wendy CHIU; and three independent non-executive directors, namely Mr. Kwong Siu LAM, Mr. Wai Hon Ambrose LAM and Mr. Lai Him Abraham SHEK.*