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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)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL IN KAI TAK**

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DEFINITIONS

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

“Add-on Design Costs”	the additional costs to each of the work contractors and professional consultants of Add-on Designs to be assessed by the quantity surveyor or by the Target Company, as the case may be, under the Main Contract or under any specialist contract and/or professional consultant agreement as agreed and adjudicated under the Coordination Agreement and including, among other things, any fees and costs relating to design changes, additional consultancy services, additional BEAM Plus registration and assessment, WELLS registration and assessment, any variation or extension of time relating thereto and all the constructions costs and related costs relating to the Add-on Designs, together with such Other Additional Costs relating to, incidental to or ancillary thereto
“Add-on Designs”	the revisions and design changes to the Existing Office Portion Design as may from time to time be required by the Purchaser in its absolute discretion per the Coordination Agreement and, subject to the approval (where required) of all relevant Government authorities, implemented in accordance with the SPA and to such extent as the Purchaser may, in its absolute discretion per the Coordination Agreement, deem fit
“Additional Costs”	the Add-on Design Costs and the Flow-on Costs
“Adjusted Consideration”	has the meaning given to it under the paragraph headed “2. The Disposal — Post-Completion payments” in the Letter from the Board of this circular
“Approved GBP”	the general building plans of the Development as approved by the Building Authority on 9 July 2021
“Board”	board of Directors

DEFINITIONS

“Business Day”	a day other than (a) a day on which typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.; and (b) a Saturday or Sunday or public holiday, on which The Hongkong and Shanghai Banking Corporation Limited is open for general banking business in Hong Kong
“Certificate of Compliance”	the certificate issued or to be issued by or on behalf of the Director of Lands to the effect that all the positive obligations of the Target Company (as purchaser) under the Government Grant have been complied with
“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”	completion of the Disposal in accordance with the terms of the SPA
“Completion Date”	the date on which Completion shall take place
“Condition(s)”	has the meaning given to it under the paragraph headed “2. The Disposal — Conditions” in the Letter from the Board of this circular
“Consideration”	HK\$3,380,000,000, subject to Post-Completion Adjustment
“Coordination Agreement”	the agreement entered into on 6 December 2021 among the Seller, the Target Company, the Purchaser, the Main Contractor, the architect and the geotechnical and structural engineer as appointed by the Target Company in relation to the construction and development of, amongst others, the Office Portion
“Deposit”	has the meaning given to it under the paragraph headed “2. The Disposal — Consideration and payment terms” in the Letter from the Board of this circular

DEFINITIONS

“Development”	the composite development comprising a hotel block, an office block and a basement carport to be erected on the Land in accordance with the SPA in the run-up to Completion, such development to be divided into, amongst others, the Hotel Portion and the Non-Industrial Portion
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Share and assignment of the Sale Loan by the Seller to the Purchaser pursuant to the SPA
“Existing Office Portion Design”	the existing design of the Office Portion pursuant to the Main Contract and tender designs or such revised design as proposed by contractors and accepted by the Target Company as at 8 October 2021
“Flow-on Costs”	<p>the additional time and costs actually incurred under any works contract or professional consultant agreement in respect of any variations to the Existing Office Portion Design to implement the Add-on Designs, as instructed by the Purchaser, that specifically and unavoidably impact:</p> <p>(I) other part or parts of the Development; or</p> <p>(II) the discharge of obligations on the part of the Target Company (as purchaser) under the Government Grant,</p> <p>and which cannot otherwise have been mitigated provided that such additional time and costs (which may include those relating specifically to the Hotel Portion) shall be properly justified and substantiated to the satisfaction of the development committee after taking into consideration the matters referred to in the Coordination Agreement and shall not have been caused by (or shall be reduced to the extent it was contributed to by) any act or omission of a work contractor or professional consultant, together with such Other Additional Costs relating to, incidental to or ancillary thereto</p>
“Government”	Government of Hong Kong

DEFINITIONS

“Government Grant”	the Conditions of Sale in respect of the Land deposited and registered in the Land Registry as Conditions of Sale No. 20352
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Portion”	has the meaning ascribed to such term under the Government Grant, which includes the Hotel Portion Spaces (as defined under the Government Grant)
“Hotel Portion Assignment”	the assignment to be entered into by the Target Company (as assignor/vendor) and the Hotel Portion Owner (as assignee/purchaser) in relation to the assignment of the Hotel Portion
“Hotel Portion Owner”	a wholly-owned subsidiary of the Seller and the assignee/purchaser of the Hotel Portion under the Hotel Portion Assignment
“Knight Frank”	Knight Frank Petty Limited, an independent valuer
“Land”	the land situated at Shing Kai Road adjoining Kai Tak Sports Park, Kai Tak, Kowloon, Hong Kong, known and registered in the Land Registry as New Kowloon Inland Lot No. 6607
“Latest Practicable Date”	19 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2025 or such extended date if so agreed by the parties pursuant to the SPA

DEFINITIONS

“Main Contract”	the letter of award dated 20 July 2021 from the Target Company to the Main Contractor and the main building contract (as may be amended by variation orders or instructions from time to time of the architect) to be entered into by the Target Company and the Main Contractor relating to the construction of the Development
“Main Contractor”	the main contractor for the construction of the Development as appointed under the Main Contract and includes any other main contractor for the time being appointed by the Target Company in its place
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Net Asset Value”	current assets minus current and non-current liabilities of the Target Company as at the close of business on the Completion Date as shown in the completion accounts prepared in accordance with the terms of the SPA
“Non-Industrial Portion”	has the meaning ascribed to such term under the Government Grant, which comprises the Office Portion, a small retail area and the Non-Industrial Portion Spaces (as defined under the Government Grant)
“Occupation Permit for Hotel Portion”	occupation permit or temporary occupation permit to be issued by the Building Authority for the Hotel Portion
“Occupation Permit for Non-Industrial Portion”	occupation permit or temporary occupation permit to be issued by the Building Authority for the Non-Industrial Portion and the Non-Industrial Portion Spaces (as defined under the Government Grant)
“Office Portion”	such part of the Non-Industrial Portion excluding a small retail area but including the Non-Industrial Portion Spaces (as defined under the Government Grant)

DEFINITIONS

“Other Additional Costs”	any other fees and costs relating to, incidental to or ancillary to the Add-on Design Costs and the Flow-on Costs, whether such Add-on Designs were implemented or not, as are required to be incurred and reasonably incurred including but not limited to all costs and expenses (I) for providing higher standards of Add-on Designs and (II) which are incurred specifically as a result of any variation to the Existing Office Portion Design at the request of the Purchaser, subject to the ‘net’ cost effects of such matters being calculated to include due credit for any cost saving associated with the substitution, subtraction or deletion of any works or materials included in the Existing Office Portion Design or other portion of the works and any other cost savings occasioned by such instructions
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“Post-Completion Adjustment”	has the meaning given to it under the paragraph headed “2. The Disposal — Post-Completion Adjustment” in the Letter from the Board of this circular
“Property Valuation Report”	the property valuation report on the Non-Industrial Portion, the text of which is set out in Appendix II to this circular
“Purchaser”	CLP Properties Limited, a company incorporated in Hong Kong with limited liability, a direct wholly owned subsidiary of the Purchaser Guarantor
“Purchaser Guarantor”	CLP Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00002)
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“S\$”	Singapore Dollars, the lawful currency of the Republic of Singapore

DEFINITIONS

“Sale Loan”	the entire loan which will be owing by the Target Company to the Seller as at Completion, the amount of which shall not exceed HK\$3,379,999,999
“Sale Share”	one ordinary share of HK\$1.00 in the Target Company, which represents the entire issued share capital of the Target Company
“Seller”	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“SPA”	the sale and purchase agreement entered into among the Seller, the Company, the Purchaser and the Purchaser Guarantor in relation to the sale and purchase of the Sale Share and the assignment of the Sale Loan dated 6 December 2021
“Stage One Completion Accounts”	has the meaning given to it under the paragraph headed “2. The Disposal — Post-Completion Adjustment” in the Letter from the Board of this circular
“Stage Two Completion Accounts”	has the meaning given to it under the paragraph headed “2. The Disposal — Post-Completion Adjustment” in the Letter from the Board of this circular
“Stamp Duty Relief Application”	has the meaning given to it under the paragraph headed “2. The Disposal — Transfer of the Hotel Portion to the Hotel Portion Owner” in the Letter from the Board of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metre

DEFINITIONS

“Target Company”	Sanon Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.
“£”	pounds sterling, the lawful currency of the United Kingdom



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Website: <http://www.fecil.com.hk>

(Stock Code: 35)

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(Chairman and Chief Executive Officer)

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Mr. Dennis CHIU

Mr. Craig Grenfell WILLIAMS

Ms. Wing Kwan Winnie CHIU

Independent Non-executive Directors:

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Hong Kong

25 January 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL IN KAI TAK

1. INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2021 in relation to the Disposal. On 6 December 2021, the Seller (an indirect wholly-owned subsidiary of the Company), the Company (as the Seller's guarantor), the Purchaser, and the Purchaser Guarantor entered into the SPA, pursuant to which the Seller agreed to sell to the Purchaser the Sale Share, and assign and transfer to the Purchaser the benefit of the Sale Loan free from all encumbrances, and the Purchaser agreed to purchase the Sale Share together with all rights attaching thereto as at Completion and take an assignment of the benefit of the Sale Loan free from all encumbrances, with effect from Completion, at a consideration of HK\$3,380,000,000 subject to the Post-Completion Adjustment.

* For identification purposes only

LETTER FROM THE BOARD

The Disposal involves the sale of the Target Company which currently owns the Land and the Development situated in Kai Tak. The Development will be divided into, amongst others, the Hotel Portion and the Non-Industrial Portion (including the Office Portion). Pursuant to the Approved GBP, the gross floor area as approved by the Building Authority shall be 16,192.35 sq. m. for the Office Portion and 15,378.098 sq. m. for the Hotel Portion. Pursuant to the SPA, the Target Company will assign the Hotel Portion to another subsidiary of the Company (i.e. the Hotel Portion Owner) prior to Completion under the Hotel Portion Assignment, such that the Purchaser will be purchasing the Target Company (holding only the Non-Industrial Portion (including the Office Portion)) at Completion. The Consideration reflects, amongst others, the value of the Office Portion at Completion on a debt free basis. The Coordination Agreement was entered into on 6 December 2021 to facilitate the construction and development of the Office Portion, as directed by the Purchaser. Additional Costs will be added to the Consideration to be paid by the Purchaser, as part of the Post-Completion Adjustment.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; (ii) the financial information of the Group; (iii) valuation report on the Non-Industrial Portion prepared by an independent property valuer; and (iv) general information of the Group.

2. THE DISPOSAL

Principal terms of the SPA

Date: 6 December 2021

Parties:

- (1) the Seller
- (2) the Company (as the Seller's guarantor)
- (3) the Purchaser
- (4) the Purchaser Guarantor

To the best of knowledge, information and belief of the Directors after making all reasonable enquiry, the Purchaser, the Purchaser Guarantor and their respective ultimate beneficial owners were third parties independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of the SPA.

LETTER FROM THE BOARD

Subject matter

On and subject to the terms and conditions of the SPA:

- (a) the Seller shall (i) sell to the Purchaser the Sale Share as beneficial owner free from all encumbrances and with all rights to be attached to the Sale Share including the right to receive all dividends and other distributions declared, made or paid on or after the Completion Date; and (ii) assign and transfer to the Purchaser the benefit of the Sale Loan free from all encumbrances; and
- (b) the Purchaser shall (i) purchase the Sale Share together with all rights attaching thereto as at Completion; and (ii) take assignment of the benefit of the Sale Loan free from all encumbrances, with effect from Completion.

None of the Seller or the Purchaser shall be obliged to complete the sale and purchase of the Sale Share or the assignment of the Sale Loan unless the sale and purchase of the Sale Share and the assignment of the Sale Loan are completed simultaneously.

Consideration and payment terms

Subject to the Post-Completion Adjustment, the Consideration of HK\$3,380,000,000 shall be payable in the following manner:

- (a) an amount of HK\$338,000,000 as deposit (the “**Deposit**”) as to:
 - (i) HK\$169,000,000, being 50% of the Deposit, has been paid by the Purchaser to the Seller upon execution of the SPA;
 - (ii) HK\$169,000,000, being the balance of the Deposit, has been paid by the Purchaser to the Seller upon signing of the Coordination Agreement;
- (b) HK\$338,000,000 to be paid by the Purchaser to the Seller as part payment of the Consideration on the earlier of 30 June 2022 and within 5 Business Days after the date on which the last approval from the Building Authority shall have been obtained in relation to the Add-on Designs;
- (c) HK\$338,000,000 to be paid by the Purchaser to the Seller as further part payment of the Consideration within 5 Business Days after the issuance of the Occupation Permit for Non-Industrial Portion; and
- (d) the balance of HK\$2,366,000,000 to be paid by the Purchaser to the Seller upon Completion provided that the Purchaser shall be entitled to split such payment so that a sum equivalent to an amount of the outstanding

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loan facility owing to certain existing lenders of the Target Company shall be paid directly to such existing lenders for the purpose of releasing and discharging the existing lending and security documents to the intent that on Completion, the Target Company and its assets, rights and business shall be free from the existing lending and security documents and any other encumbrances.

The Seller shall return the Deposit and the part payments of the Consideration (if so paid by the Purchaser) to the Purchaser if the SPA is terminated under certain circumstances. Please refer to the paragraph headed "2. The Disposal — Termination" in the Letter from the Board of this circular for further details.

Post-Completion Adjustment

The Consideration shall be subject to the following adjustments (the "Post-Completion Adjustment"):

- (a) there shall be added to the Consideration the following:
 - (i) the amount (if any) by which the Net Asset Value is more than zero;
 - (ii) the amount of any Add-on Design Costs as shall have been paid by the Target Company as at Completion;
 - (iii) the amount of any Flow-on Costs whether or not they have been paid by the Target Company as at Completion; and
- (b) there shall be deducted from the Consideration the amount (if any) by which the Net Asset Value is less than zero.

The Additional Costs (comprising the Add-on Design Costs and the Flow-on Costs) shall be subject to a downward adjustment in order to take into account the cost savings relating to the Other Additional Costs.

It is the present estimate of the Seller and the Purchaser that the amount of any net addition to the Consideration after such adjustment shall not exceed HK\$350,000,000.

In order to determine whether any Post-Completion Adjustment is applicable, the Seller shall prepare a set of completion accounts as at the Completion Date pursuant to the SPA, which shall be reviewed and audited by the auditor to be appointed by the Purchaser (the "Stage One Completion Accounts"). As the final accounts under the Main Contract will not have been finalised at the Completion Date and the Stage One Completion Accounts will not have reflected all the construction costs, including the Add-on Design Costs and Flow-on Costs, which are payable by the Target Company in accordance with the Main Contract and the Coordination Agreement, any provision for unpaid construction costs which is made in the Stage One Completion Accounts will be on a provisional basis only.

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In order that all construction costs payable by the Target Company shall be fully taken into account in the Post-Completion Adjustment, it is agreed that the Seller shall, at the end of 12 months after the Completion Date or 30 days after the date of agreement or determination of the final accounts in accordance with the terms of the Main Contract and the Coordination Agreement (whichever shall be the later), prepare a set of updated completion accounts as at such date, which shall be reviewed and audited by the auditor to be appointed by the Purchaser (the “**Stage Two Completion Accounts**”) to capture all unpaid construction costs which have not been fully reflected in the Stage One Completion Accounts or for which any provision made is inadequate.

Payment on account of Post-Completion Adjustment

Pending the preparation of the Stage One Completion Accounts and agreement or determination of such accounts in accordance with the SPA, the Purchaser shall on Completion pay to the Seller, in addition to the balance of the Consideration payable, an amount which is equal to the aggregate amount of all Additional Costs as set out in all the Additional Costs monthly statements provided by the Seller to the Purchaser, up to 5 Business Days prior to the Completion Date in respect of Additional Costs incurred (as approved by the development committee and/or determined in accordance with the adjudication procedures under the Coordination Agreement) and which have been paid by the Target Company. Such amount payable by the Purchaser to the Seller shall be made by the Purchaser to the Seller as payment on account of any addition to the Consideration and credit shall be given to such payment on account when computing the post-Completion payment to be made by either the Purchaser to the Seller or (as the case may be) by the Seller to the Purchaser pursuant to the SPA.

Post-Completion payments

Within 5 Business Days after agreement or determination of the Stage One Completion Accounts:

- (i) if the Consideration is increased pursuant to the Post-Completion Adjustment, the Purchaser shall pay to the Seller the amount of the increase; and
- (ii) if the Consideration is reduced pursuant to the Post-Completion Adjustment, the Seller shall repay to the Purchaser the amount of such deduction.

The Consideration so as increased, or (as the case may be) reduced pursuant to the above Post-Completion Adjustment shall be the “**Adjusted Consideration**”.

Within 5 Business Days after agreement or determination of the Stage Two Completion Accounts:

- (i) if on the basis of the Stage Two Completion Accounts, the Adjusted Consideration should be increased by any amount pursuant to the Post-Completion Adjustment, then the Purchaser shall pay to the Seller the amount of the increase; and

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- (ii) if on the basis of the Stage Two Completion Accounts, the Adjusted Consideration should be reduced by any amount pursuant to the Post-Completion Adjustment, then the Seller shall repay to the Purchaser the amount of the reduction.

The Consideration (including the Post-Completion Adjustment) was determined after arm's length negotiations with reference to, among other things, the property value of the Office Portion based on the Existing Office Portion Design, the value of the Office Portion on a debt free basis at Completion, the location of the Development, prevailing market conditions, and comparable price of similar properties in the vicinity of the Development.

Conditions

Completion is conditional upon the following conditions being satisfied or waived by the Purchaser in accordance with the SPA (the "**Conditions**"):

- (a) the delineation of the Hotel Portion and of the Non-Industrial Portion in accordance with the Government Grant having been completed and approved by the Director of Lands pursuant to the terms of the Government Grant;
- (b) there being no material breach of the key warranties under the SPA;
- (c) the obtaining of the occupation permit to be issued by the Building Authority for the Development, and the Certificate of Compliance in respect of the Development, with the assistance by the Purchaser, if so required by the Seller;
- (d) the Seller procuring, amongst others, the following:
 - (i) the obtaining of the Occupation Permit for Hotel Portion;
 - (ii) the assignment of the Hotel Portion by the Target Company to the Hotel Portion Owner and execution and completion of the Hotel Portion Assignment by the Target Company and the Hotel Portion Owner in accordance with the SPA; and
 - (iii) the existing lending and security documents being released or discharged by the Target Company's existing lenders (it being acknowledged that part of the balance of the Consideration payable as shall be equal to the amount of the outstanding loan facility owing to certain existing lenders shall be paid to the existing lenders for the purpose of releasing and discharging the existing lending and security documents).

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For the purposes of obtaining a release and discharge of the existing lending and security documents, if the aggregate of (i) the balance of the Consideration payable by the Purchaser to the Seller upon Completion and (ii) the payment on account to be made by the Purchaser to the Seller in accordance with the SPA (as referred to in the paragraph headed “2. The Disposal — Payment on account of Post-Completion Adjustment” in the Letter from the Board of this circular) shall be insufficient for repayment of the amount required by the existing lenders to be paid for such purpose as at Completion, then any such shortfall shall be funded by the Seller.

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the Conditions which relate to any act or thing which is required to be carried out or done by the Seller on such terms as it may decide. The Seller may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the Conditions which relate to any act or thing which is required to be carried out or done by the Purchaser on such terms as it may decide.

If, through no fault of any party to the SPA, any of the Conditions is not satisfied by the Long Stop Date and such Condition has not been waived by the parties, then, unless the parties shall have agreed on an extension of the Long Stop Date, the Purchaser or (as the case may be) the Seller may by notice to the other terminate the SPA.

As at the Latest Practicable Date, neither the Purchaser nor the Seller has an intention to waive any of the Conditions.

Existing lending and security documents

As disclosed above, one of the Conditions is that the Seller shall procure the existing lending and security documents (which include, amongst others, the facilities agreement, building mortgage and share mortgage) being released or discharged by the Target Company’s existing lenders. Key terms of facilities agreement, building mortgage and share mortgage are set out below.

Facilities agreement

The facilities agreement was entered into between, amongst others, the Target Company as the borrower, the Company as the guarantor, certain commercial banks as the lenders on 4 September 2020. Key terms of the facilities agreement are set out below.

Facilities:	In an aggregate amount equal to HK\$2,365,257,600
Purpose:	The facilities are comprised of two facilities, facility A and facility B

LETTER FROM THE BOARD

Facility A: refinancing the payment of up to 40% of the land premium of the Land by way of refinancing the amounts outstanding under the existing facility and/or refinancing the shareholder loans previously provided to the Target Company for payment of the land premium of the Land

Facility B: financing or refinancing the payment of the development costs in relation to the Development

Final maturity date: The date falling on the earlier of (a) 54 months after the date of the facilities agreement and (b) six months after the date of issuance of the Certificate of Compliance

Building mortgage

The building mortgage was entered into between the Target Company as the borrower and a commercial bank as the security agent on 17 September 2020. Pursuant to the building mortgage, as a continuing security for the due and punctual payment of the secured liabilities and the due and punctual observance and performance by the Target Company, the Target Company as beneficial owner of the Land and the Development agreed to, amongst others:

- (a) (to the extent that the Target Company's interest in the Land and the Development constitutes a legal estate) charge by way of first legal charge the Land and the Development and all rights thereto to the security agent;
- (b) (to the extent that the Target Company's interest in the Land and the Development constitutes an equitable estate) assign the Land and the Development and all rights thereto absolutely to the security agent; and
- (c) charge by way of first floating charge all the undertaking, property, assets and rights of the Target Company.

Share mortgage

The share mortgage was entered into between the Seller as the mortgagor and a commercial bank as the security agent on 17 September 2020. Pursuant to the share mortgage, the Seller as beneficial owner mortgages, charges and assigns all those shares constituting the entire issued share from time to time of the Target Company to the security agent as continuing security for the due and punctual payment of all secured liabilities.

Termination

The SPA may be terminated by the Purchaser or (as the case may be) the Seller (i) due to non-satisfaction of any of the Conditions through no fault of any of the

LETTER FROM THE BOARD

parties to the SPA by the Long Stop Date; or (ii) if at any time prior to Completion, the enjoyment of the Land and the Development is adversely affected by any resumption-related notices/orders relating to the resumption of the Land or the Development, and upon such termination the Seller shall return to the Purchaser the Deposit and the part payments of the Consideration (if so paid by the Purchaser) without interest and compensation of whatsoever nature and none of the parties shall have any further claim against the other parties.

The SPA may be terminated by the Purchaser if, amongst others, (i) there shall be material breach of any of the key warranties under the SPA, or (ii) the Non-Industrial Portion is substantially damaged or destroyed for whatever cause. Upon such termination, all rights and obligations of the parties will cease immediately and the Seller shall forthwith return to the Purchaser the Deposit and the part payments of the Consideration (if so paid by the Purchaser) without interest (if the return is made within 7 days of the receipt by the Seller of the relevant termination notice) or together with interest (if the return is made after 7 days of such termination).

The SPA may be terminated by the Seller if, amongst others, (i) the Purchaser is unable or unwilling to comply with its obligations to complete the SPA in accordance with the SPA, or (ii) the Purchaser shall have failed to comply with its payment obligations and the Purchaser shall have failed to cure or rectify such failure within 14 Business Days from the date of receipt of a written request from the Seller, then the Deposit shall be forfeited to the Seller, and the Seller shall be entitled to retain the part payment of the Consideration (if so paid by the Purchaser) as security for damages in excess of the Deposit forfeited as a result of the Purchaser's breach.

Delineation of the Hotel Portion and the Non-Industrial Portion

Pursuant to the SPA, the Target Company shall submit the delineation of the Hotel Portion and the Non-Industrial Portion to the Director of Lands for approval. Where the Director of Lands shall have any comments, the Target Company shall reply or re-submit the delineation to the Director of Lands, with a view to obtaining approval by the Director of Lands on such delineation as soon as practicable.

As at the Latest Practicable Date, the Target Company has not yet submitted the delineation of the Hotel Portion and the Non-Industrial Portion to the Director of Lands for approval. The time required to obtain the aforesaid approval from the Director of Lands and whether or on what conditions that the Director of Lands will impose for granting the aforesaid approval are at the Director of Land's sole and absolute discretion and is not within the Target Company's control.

As the delineation of the Hotel Portion and the Non-Industrial Portion is a Condition under the SPA, if the Condition is not fulfilled by the Long Stop Date, and has not been waived by the parties, then, unless the parties shall have agreed on an extension of the Long Stop Date, the Purchaser or (as the case may be) the Seller may by notice to the other terminate the SPA. Please refer to the paragraph headed "2. The Disposal — Termination" in the Letter from the Board of this circular for further details.

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Transfer of the Hotel Portion to the Hotel Portion Owner

As disclosed in this circular, Completion is conditional upon the completion of the Hotel Portion Assignment as it is the intention of the parties to the SPA that the Hotel Portion shall not form part of the subject matter of the Disposal.

The Hotel Portion will be transferred by the Target Company to the Hotel Portion Owner by way of asset disposal and the consideration therefor shall be (i) an amount equal to the carrying amount in the books thereof; and (ii) the assumption by the Hotel Portion Owner of all liabilities (including accounts payable, accruals and inter-company balances) of the Target Company relating to, amongst others, the Hotel Portion and all Flow-on Costs payable.

After obtaining approval from the Director of Lands in relation to the delineation of the Hotel Portion and the Non-Industrial Portion, the Target Company shall apply to the Director of Lands for approval to transfer the Hotel Portion to the Hotel Portion Owner by way of asset disposal. Upon obtaining the requisite approval from the Director of Lands and in accordance with the terms therefor, the Target Company shall effect the transfer of the Hotel Portion by way of asset disposal to the Hotel Portion Owner and shall submit an application to the Stamp Office for intra-group stamp duty relief pursuant to Section 45 of the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the “**Stamp Duty Relief Application**”).

As at the Latest Practicable Date, the Target Company has not yet applied for the Director of Land’s approval in relation to the transfer of the Hotel Portion to the Hotel Portion Owner and has not yet submitted the Stamp Duty Relief Application to the Stamp Office. The time required to obtain the aforesaid approval from the Director of Lands and whether or on what conditions that the Director of Lands will impose for granting the aforesaid approval are at the Director of Land’s sole and absolute discretion and is not within the Target Company’s control. According to the Stamping Procedures And Explanatory Notes issued by the Stamp Office, the standard response time for the Stamp Office to process an intra-group relief application is within 3 months of receipt of the claim and substantive information.

Completion

Subject to the satisfaction of the Conditions in accordance with the SPA, Completion will take place within 10 Business Days after the day on which a written notification issued by the Seller to the Purchaser that all the Conditions (save for those which have been waived by the Purchaser or the Seller in accordance with the SPA) is received or deemed to have been received by the Purchaser, or such other date as the Seller and the Purchaser may agree in writing.

As at the Latest Practicable Date, the Conditions are yet to be fulfilled. As disclosed above, the Target Company has not yet submitted the delineation of the Hotel Portion and the Non-Industrial Portion to the Director of Lands for approval. The occupation permit for the Development will be issued by the Building

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Authority when the applicable requirements under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) are satisfied, and the Certificate of Compliance will be issued by or on behalf of the Director of Lands when all the positive obligations of the Target Company (as purchaser) under the Government Grant have been complied with. It is expected that the completion of the construction of the Development will be around the second half of 2024.

Guarantee by the Company

In consideration of the Purchaser entering into the SPA, the Company guarantees to the Purchaser (i) the due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and the indemnities under and in accordance with or in connection with the SPA; and (ii) to pay, promptly on demand, any sum which the Seller fails to pay to the Purchaser in accordance with or in connection with the SPA.

Guarantee by the Purchaser Guarantor

In consideration of the Seller entering into the SPA, the Purchaser Guarantor guarantees to the Seller (i) the due and punctual performance and observance by the Purchaser of all its obligations, commitments, undertakings, warranties and indemnities under and in accordance with or in connection with the SPA; and (ii) to pay, promptly on demand, any sum which the Purchaser fails to pay to the Seller in accordance with or in connection with the SPA.

3. FINANCIAL INFORMATION OF THE TARGET COMPANY AND VALUATION OF THE NON-INDUSTRIAL PORTION

Set out below is the audited financial information of the Target Company as at and for the two financial years ended 31 March 2020 and 31 March 2021:

	For the year ended	
	31 March 2021	31 March 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Net profit/(loss) before taxation	(6,796)	1,212
Net profit/(loss) after taxation	(6,796)	1,212
	As at	
	31 March 2021	31 March 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Net (liabilities)/assets	(5,645)	1,151
Total assets	2,738,118	2,516,694

As at 31 March 2021, the total assets of the Target Company amounted to approximately HK\$2,738 million, mainly consisted of investment properties of

LETTER FROM THE BOARD

approximately HK\$1,560 million and property, plant and equipment of approximately HK\$1,177 million, respectively. The investment properties mainly represented the carrying amount of Non-Industrial Portion (including the Office Portion) while the property, plant and equipment represented mainly the carrying amount of the Hotel Portion. Furthermore, the total liabilities of the Target Company were approximately HK\$2,743 million, mainly contributed by a long-term secured bank borrowing of approximately HK\$1,030 million and advances from a fellow subsidiary of approximately HK\$1,695 million.

For the financial year ended 31 March 2020, the net profit before taxation of the Target Company of approximately HK\$1,212,000 was due to the increase of fair value of investment properties.

Based on the unaudited financial information of the Target Company, the book value of the Non-Industrial Portion, being the subject of the Disposal, is HK\$1,923,000,000 as at 30 September 2021.

Knight Frank, an independent valuer, valued the Non-Industrial Portion, being the subject of the Disposal, with a valuation of HK\$1,959,000,000 as at 30 November 2021, based on the market approach. The text of the Property Valuation Report are set out in Appendix II to this circular.

The Board has reviewed and assessed the qualification, experience and track record of Knight Frank. Based on information provided by Knight Frank, Ms. Natalie Wong, the senior director of Knight Frank and a co-signor of the Property Valuation Report, who is also responsible for the Property Valuation Report, is a qualified valuer with over 15 years of extensive experiences in valuation of properties in the People's Republic of China, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Asia Pacific region. The other co-signor of the Property Valuation Report and the managing director of Knight Frank, Mr. Alnwick Chan, is a qualified valuer who has over 30 years of extensive experiences in valuation of properties in Hong Kong. The Directors are of the view that Knight Frank is qualified and competent in performing the property valuation work of the Non-Industrial Portion.

Knight Frank has confirmed their independence from the Group or any other parties related to the Disposal.

For details of the key assumptions and comparables considered by Knight Frank in performing the valuation of the Non-Industrial Portion, please refer to the Property Valuation Report, the text of which is set out in Appendix II to this circular. As the key assumptions adopted by Knight Frank in the valuation of the Non-Industrial Portion are common for transactions of similar nature, the Directors consider that the key assumptions adopted by Knight Frank to be fair and reasonable. Considering Knight Frank has taken into account the nature, location, size and development potential of each site when selecting the comparables, and that the commercial land sale transactions in Kowloon have been very limited over recent years, the Directors are of the view that the comparables adopted by Knight Frank, after making appropriate adjustments in the valuation of the Non-Industrial Portion, are fair and reasonable.

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As disclosed in the Property Valuation Report, Knight Frank has valued the Non-Industrial Portion based on the market approach on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the Development. As the relevant land sale transactions in the subject area are available in the open market, the Directors are of the view that the market approach adopted by Knight Frank is fair and reasonable.

4. FINANCIAL EFFECT OF THE DISPOSAL

The financial effects to the Group on the Disposal are as follows:

Effects on assets and liabilities

The Non-Industrial Portion of the Development is recognised as an investment property which is measured at fair value in the financial statements of the Target Company. As at 30 September 2021, the fair value of the Non-Industrial Portion of the Development was HK\$1,923 million. As further described in below section "Effects on earnings", it is expected that such fair value will be increased before and/or upon Completion.

As at 30 September 2021, there was a secured bank borrowing of approximately HK\$1,117 million in the financial statements of the Target Company. It is expected that the bank borrowing will increase due to the ongoing construction work, however, be repaid fully before and/or upon Completion.

The Group expects that the cash and bank balance will increase due to Consideration received in accordance with the payment terms.

Effects on earnings

As the Non-Industrial Portion of the Development was accounted for as an investment property in the financial statements of the Target Company, the book value in relation to the Non-Industrial Portion was marked to market as at 30 September 2021. A fair value gain of approximately HK\$438 million was recognised in the unaudited financial statements of the Target Company as at 30 September 2021. It is expected that the fair value of the Non-Industrial Portion of the Development will be close to the Consideration. By subtracting the fair value of the Non-Industrial Portion as at 30 September 2021 and the expected construction cost to be incurred for the Non-Industrial Portion from the Consideration, it is expected that further fair value gains of approximately HK\$500 million will be recognised before and/or upon Completion.

Upon Completion, the Target 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.

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5. USE OF PROCEEDS

The Directors expect that approximately 50% of the net proceeds from the Disposal will be used for the construction of the Development. The remaining balance will be used for the general working capital of the Group, including but not limited to construction expenditure for the developments in various locations, operating expenses in other businesses and corporate expenses.

6. REASONS AND BENEFITS OF THE DISPOSAL

The Disposal involves the sale of the Target Company which currently owns the Land and the Development situated in Kai Tak. The Land is adjacent to the Kai Tak Sports Park. The Development will be divided into, amongst others, the Hotel Portion and the Non-Industrial Portion (including the Office Portion). Pursuant to the Approved GBP, the gross floor area as approved by the Building Authority shall be 16,192.35 sq. m. for the Office Portion and 15,378.098 sq. m. for the Hotel Portion.

Pursuant to the SPA, the Target Company will assign the Hotel Portion to another subsidiary of the Company (i.e. the Hotel Portion Owner) prior to Completion under the Hotel Portion Assignment, such that the Purchaser will be purchasing the Target Company (holding only the Non-Industrial Portion (including the Office Portion)) at Completion. As such, the Consideration reflects, amongst others, the value of the Office Portion at Completion on a debt free basis.

The Group intends to develop the Hotel Portion into a hotel under the “Dorsett” brand, which will serve as an addition to the Group’s existing hotel portfolio in Hong Kong. The Group will continue to operate the Hotel Portion after Completion.

The Coordination Agreement was entered into on 6 December 2021 to facilitate the construction and development of the Office Portion, as directed by the Purchaser. Additional Costs in respect of the Add-on Designs and variations to the Existing Office Portion Design to implement the Add-on Designs as required by the Purchaser, will be added to the Consideration to be paid by the Purchaser, as part of the Post-Completion Adjustment.

The Directors consider that the Disposal will, amongst others, (i) realise the value of the Land and the Development, (ii) allow the gain from the Disposal to be crystallised and the capital to be recycled, and (iii) increase liquidity and reduce net gearing.

The Directors are of the view that the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

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7. INFORMATION OF THE TARGET COMPANY AND THE DEVELOPMENT

The Target Company is an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in property development and investment, and is the legal and beneficial owner of the Land and the Development. The Land is located at Shing Kai Road adjoining Kai Tak Sports Park, Kai Tak, Kowloon, Hong Kong. The Development will be divided into, amongst others, the Hotel Portion and the Non-Industrial Portion (including the Office Portion). Pursuant to the Approved GBP, the gross floor area as approved by the Building Authority shall be as follows:

Development:	31,999.986 sq. m.
Non-Industrial Portion (including the Office Portion):	16,621.888 sq. m. (out of which the gross floor area for the Office Portion shall be 16,192.35 sq. m.)
Hotel Portion:	15,378.098 sq. m.

As at the Latest Practicable Date, the Land is under development and is undergoing construction. It is expected that the completion of the construction of the Development will be around the second half of 2024.

8. INFORMATION OF THE PARTIES

Information on the Purchaser and the Purchaser Guarantor

The Purchaser is a direct wholly owned subsidiary of the Purchaser Guarantor and is principally engaged in investment holding. The Purchaser Guarantor is the holding company of its subsidiaries (including the Purchaser). The Purchaser Guarantor is the holding company of the CLP Group which is one of the largest investor-owned power businesses in Asia Pacific with investments spanning across Hong Kong, Mainland China, Australia, India, Southeast Asia and Taiwan.

Information on the Seller and the Company

The Seller 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.

9. LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios of the Disposal exceeds 25% but all of the applicable Percentage Ratios are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of Listing Rules, and is subject to the

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reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting were to convene for the approval of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of a general meeting. As at the date of the SPA, Tan Sri Dato' David CHIU, Ms. Nancy CHIU NG (spouse of Tan Sri Dato' David CHIU), Sumptuous Assets Limited and Modest Secretarial Services Limited (both are companies controlled by Tan Sri Dato' David CHIU) held 23,023,223 Shares, 585,322 Shares, 1,183,360,003 Shares and 17,022 Shares, respectively. Written shareholders' approval for the Disposal and the transactions contemplated thereunder has been obtained from Tan Sri Dato' David CHIU, Ms. Nancy CHIU NG, Sumptuous Assets Limited and Modest Secretarial Services Limited (being a closely allied group of Shareholders holding 1,206,985,570 Shares in aggregate representing approximately 50.02% of the issued share capital of the Company as at the date of the SPA). Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal and the transactions contemplated thereunder.

If the Disposal would constitute a very substantial disposal after the Adjusted Consideration is determined, the Company will re-comply with the relevant requirements under Chapter 14 of the Listing Rules.

10. RECOMMENDATION

The Directors are of the view that the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. If a general meeting were to be convened for the approval of the Disposal, the Directors would recommend the Shareholders to vote in favour of the resolution to approve the Disposal at such general meeting.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approval from a closely allied group of Shareholders, namely, Tan Sri Dato' David CHIU, Ms. Nancy CHIU NG, Sumptuous Assets Limited and Modest Secretarial Services Limited and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the Disposal.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully
By Order of the Board
Far East Consortium International Limited
Wai Hung Boswell CHEUNG
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2019, 2020 and 2021, and for the six months ended 30 September 2021 are disclosed in the annual reports and interim report of the Company which are available on the Company's website at www.fecil.com.hk and the website of the Stock Exchange at www.hkexnews.hk :

- (a) annual report of the Company for the year ended 31 March 2019 (pages 151 to 267). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730736.pdf>
- (b) annual report of the Company for the year ended 31 March 2020 (pages 119 to 239). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700580.pdf>
- (c) annual report of the Company for the year ended 31 March 2021 (pages 106 to 227). Please see below link to such annual report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300744.pdf>
- (d) interim report of the Company for the six months ended 30 September 2021 (pages 47 to 80). Please see below link to such interim report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1223/2021122300247.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at close of business on 30 November 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total borrowings with carrying amount of approximately HK\$29,858,000,000 of which HK\$19,879,000,000 are secured borrowings, details of which are as follows:

- (i) notes of the Group with the aggregate carrying amount of approximately HK\$4,585,000,000 (the aggregate principal amount of approximately US\$527,000,000 (equivalent to approximately HK\$4,104,000,000) and approximately HK\$480,000,000) which were unsecured and guaranteed by the Company;
- (ii) bank and other borrowings of the Group with the aggregate carrying amount of approximately HK\$25,089,000,000 (the aggregate principal amount of approximately HK\$25,202,000,000), of which HK\$5,210,000,000 (the corresponding principal amount of approximately HK\$5,224,000,000) were unsecured, and approximately HK\$19,879,000,000 (the corresponding principal amount of approximately HK\$19,978,000,000) were secured by the Group's properties, and/or bank deposits or investment securities. Amongst these bank and other borrowings, borrowings with the aggregate carrying amount of approximately

HK\$23,926,000,000 (the corresponding aggregate principal amount of approximately HK\$24,039,000,000) were guaranteed by the Company and/or its subsidiaries and a shareholder of a non-wholly owned subsidiary; and the remaining borrowings with the aggregate carrying amount of approximately HK\$1,163,000,000 (the corresponding aggregate principal amount of approximately HK\$1,163,000,000) were not guaranteed.

The difference between the principal amount and carrying amount of bank and other borrowings is the unamortised transaction costs namely, front-end fee. According to HKFRS 9 *Financial Instruments*, transaction costs that are directly attributable to the acquisition or issuance of financial liabilities are deducted from the fair value of the financial liabilities;

- (iii) other liabilities of the Group with the carrying amount of approximately HK\$7,000,000 were unsecured and not guaranteed;
- (iv) amounts due to shareholders of non-wholly owned subsidiaries of the Group with the carrying amount of approximately HK\$169,000,000, which were unsecured and not guaranteed;
- (v) amounts due to associates of the Group with the carrying amount of approximately HK\$7,000,000 which were unsecured and not guaranteed; and
- (vi) amount due to a related company of the Group with the carrying amount of approximately HK\$1,000,000 which were unsecured and not guaranteed.

Contingent liabilities

Legal proceedings, which were issued in the High Court of Justice in London, were served upon Ensign House (FEC) Limited (“EHFL”) and FEC Development Management Limited (both being indirect wholly-owned subsidiaries of the Company). The proceedings were instigated by Ensign House Limited (“EHL”). The claim which is made by EHL is stated as a claim for “damages and/or equitable compensation and/or an account of profits and/or a constructive trust and/or interest under statute and/or in equity and/or other relief”. The essence of the claim is that each of the defendants was involved in a breach of contract and/or breaches of other duties by using confidential information provided by or on behalf of EHL in connection with the acquisition by EHFL of the property known as Ensign House, Admiral’s Way, Canary Wharf. As at 30 November 2021, the Directors are of the opinion, upon advised by the legal counsel, that the claim is not valid as there is no breach of contract and therefore these allegations of wrongdoing will be rigorously denied and the proceedings are being fully contested.

Lease liabilities

As at 30 November 2021, the Group as a lessee, had outstanding unpaid contractual lease payments which represent undiscounted lease payments in relation to the remaining lease terms of certain lease contracts. As at 30 November 2021, the Group had total lease liabilities of approximately HK\$462,000,000 which are secured by deposits or equipment or motor vehicles and unguaranteed.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding debt securities, term loans, mortgages, charges, debentures, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 November 2021, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flows from operations and the available facilities and the effect of the Disposal, the Group will have sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

The Group adopts a diversified regional strategy allowing the Group to take advance of property cycles in different countries including Mainland China, Hong Kong, Malaysia, Singapore, Australia, New Zealand, the United Kingdom and Continental Europe. It provides opportunities for the Group to acquire land at a lower cost from different markets at appropriate timing.

The Group's overall performance for the year ended 31 March 2021 was hampered by the outbreak of COVID-19 since the early of 2020. Many countries and cities were hit by unexpected and sporadic lockdowns and/or curfews and, travel was severely restricted or forbidden in numerous regions. For the year ended 31 March 2021, revenue declined year-on-year by 20.2% to HK\$5,944 million as compared with the year ended 31 March 2020, driven primarily by (i) the lower revenue from property development due to less completions and (ii) the adverse impact of the COVID-19 outbreak on the hotel, car park and gaming operations, mainly due to lockdowns and travel restrictions. Despite the challenging environment, the Group managed to be profitable with the profit attributable to shareholders of the Company standing at approximately HK\$543 million for the year ended 31 March 2021, an increase of 48.5% as compared with HK\$366 million for the year ended 31 March 2020. The Group continued to maintain a sound financial position with a comfortable level of liquidity with HK\$8.6 billion of cash and marketable securities available and a stable but a reduced net gearing at 54.9%. For the remaining of the year, the global economic uncertainties arising from the outbreak of COVID-19 are expected to remain and put pressure on the Group's operations across the regions it operates. The Group has and would continue to take measures to recalibrate its operations to ensure long-term sustainability. The Group would also selectively add to its development pipeline by allocating resources to regions where the Group sees long-term growth prospects and where the region's property cycle offers higher risk-adjusted return to the Group.

Throughout the COVID-19 pandemic, the Group took quick actions to reposition and adjust its operations and cost structure. At the same time, the Group remained focused on executing its strategy, including actively recycling assets and replenishing its landbank. Subsequently post the financial year ended 31 March 2021, the Group has benefited from the gradual economic recovery. During the six months ended 30 September 2021, revenue increased slightly to approximately HK\$3.1 billion compared to the same period of 2020. Furthermore, the Group continued to monetise non-core assets actively during the period. The Group disposed of Dorsett City London for £115 million on 30 June 2021 and recorded a gain on disposal of approximately HK\$547 million. In September 2021, the Group also entered into a sale and purchase agreement to sell 21 Anderson Road in Singapore, for S\$213 million; the transaction was completed on 1 November 2021. The Group's profits therefore increased significantly, with profit before tax jumping to HK\$1,385 million, resulting in a year-on-year increase of 66.8%.

The Group remains vigilant and conservative given that the pandemic continues to impact the state of the global economy, and in particular the travel and hospitality industries. There is a large focus on keeping a lid on costs and expenses and executing at full pace the monetisation strategy to raise and recycle capital. The Group has and will continue to proactively manage its liabilities by repaying or refinancing them in the bank and bond markets. The cumulative presales value and unbooked contracted sales of the Group stood at HK\$14.1 billion as at 30 September 2021, providing significant visibility and capital for the years to come. The Group has successfully repositioned its hotel assets to target the quarantine hotel business, allowing its hotels to make a strong contribution to revenues and gross profits, especially in Hong Kong. Hopefully, the re-opening of the Hong Kong border with Mainland China as well as the rest of the world will benefit our hotel operations. The Group's hotel business will expand with 13 new hotels under development; a few are expected to contribute to the next growth phase of the Group as early as the second half of the financial year ended 31 March 2022. Overall, the Group is optimistic about its business prospects for the years to come. It has a solid balance sheet, an experienced team and businesses well-positioned to grow and navigate the current environment.

The Directors consider that the Disposal will, amongst others, (i) realise the value of the Land and the Development, (ii) allow the gain from the Disposal to be crystallised and the capital to be recycled, and (iii) increase liquidity and reduce net gearing.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Knight Frank, an independent professional valuer, in connection with the valuation as at 30 November 2021 of the Non-Industrial Portion held by the Target Company.



Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

25 January 2022

The Board of Directors
Sanon Limited,
c/o Far East Consortium International Limited
16/F, Far East Consortium Building,
121 Des Voeux Road, Central,
Hong Kong

Dear Sirs

VALUATION IN RESPECT OF THE NON-INDUSTRIAL PORTION OF NEW KOWLOON INLAND LOT NO 6607 (THE "PROPERTY")

In accordance with the instructions to us from Sanon Limited (hereinafter referred to as the "**Company**"), together with its subsidiaries, hereinafter together referred to as the "**Group**"), to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 30 November 2021 (the "**Valuation Date**") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner. We confirm our independence from the Group or any other parties related to the disposal.

Basis of Valuation

In arriving at our opinion of the market value, we followed "The HKIS Valuation Standards 2020" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Chartered Surveyors ("**RICS**"). Under the said standards, Market Value is defined as:-

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS.

Our valuation is based on 100% of the leasehold interest of the Property.

Valuation Methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have considered the Market Approach as relevant land sale transactions in the subject area are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the Property. When selecting the comparable transactions, we have considered the nature, location, size and development potential of each site.

Although commercial land sale transactions in Kowloon have been very limited over recent years, we have identified 3 relevant transactions that are comparable to the Property. To ensure fairness and reasonability of our valuation, we have made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include timing of transaction, location, accessibility, view and size. We do not consider other valuation methodologies to be as applicable in assessing the value of the development site.

We have assumed that the Property will be completed in accordance with the proposed development scheme given by the Company and ready for immediate occupation as at the Valuation Date with all relevant approvals for the scheme have been obtained. We have also considered the cost of development including construction costs provided by the Company, professional fees and developer’s profit which duly reflects the risks associated with the development of the Property.

Expertise

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Ms. Natalie Wong MRICS MHKIS RICS Registered Valuer who has over 15 years of valuation experiences. We confirm that the valuer meets the requirements of HKIS

Valuation Standards and the RICS Valuation — Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions: -

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied on a very considerable extent on information given by the Company. We have accepted advice given to us on such matters as proposed development scheme, construction cost estimation, land tenure and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning this Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the Property on 30 November 2021 by Ms. Natalie Wong MRICS MHKIS RICS Registered Valuer. Nevertheless, we have assumed in our valuations that the Property was in satisfactory order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property to be valued

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon areas provided to us. We have also assumed that the measurements and dimensions shown on the documents handed to us are correct and in approximations only.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory condition and contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, expected only where otherwise stated.

Valuation assumption

We have assumed that the registered owner(s) of the Property is free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent.

In the course of our valuation, we have made certain assumptions which collectively may have a material impact on our valuation, and these are noted as follows:

- The Property has good and proper title and was freely transferable in the market as at the Valuation Date and its title is being free from any material encumbrances and defect;
- We have assumed that the registered owner is the legal and beneficial owner of the Property and is entitled to own, occupy, lease, transfer and mortgage the Property without any restriction; and
- We have assumed that the approved building plans available to us are up to date and final.

Limitations on Liability

Knight Frank's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this valuation is limited to HK\$50 million. Knight Frank accepts no liability for any indirect or consequential loss or for loss of profits.

We confirm that we hold adequate and appropriate Professional Indemnity Insurance cover for this instruction.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

In our valuations, we have prepared the valuation based on information and data available to us as at the Valuation Date. While current market is influenced by various policies and regulations, increased complexity in social movements and international trade tensions geopolitics has also resulted in more fluctuations in real estate market. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq. m. = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Natalie Wong

MHKIS MRICS RICS Registered Valuer

Senior Director, Valuation & Advisory

Alnwick Chan

FRICS FHKIS RPS(GP) RICS Registered Valuer

Managing Director, Professional Services

Note: Ms. Natalie Wong is a qualified valuer who has over 15 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macao and Asia Pacific region.

Mr Alnwick Chan is a qualified valuer who has over 30 years of extensive experiences in valuation of properties in Hong Kong.

PROPERTY HELD FOR DEVELOPMENT

VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2021
Non-industrial portion of New Kowloon Inland Lot No 6607 ("NKIL 6607"), Kai Tak, Kowloon	<p data-bbox="544 512 839 704">NKIL 6607 is a development site situated on the south of Kai Tak Tunnel, near the junction of Shing Kai Road and Sung Wong Toi Road, with a registered site area of 121,375 sq ft (11,276 sq. m.).</p> <p data-bbox="544 746 863 1055">Pursuant to the proposed development scheme of the Client, the development proposed on NKIL 6607 comprises two portions, which include the hotel portion and non-industrial portion ("Non-Industrial Portion"). The Property comprises the Non-Industrial Portion of NKIL 6607.</p> <p data-bbox="544 1098 855 1321">The Property is expected to be completed in 2024, providing offices, retail and car park facilities. The proposed gross floor area ("GFA") of the Non-Industrial Portion is approximately 178,918 sq ft (16,621.888 sq. m.).</p> <p data-bbox="544 1364 855 1619">The Property is held under Conditions of Sale No 20352 for a term of 50 years from 9 September 2019. The Property is subject to an annual Government rent which is equivalent to 3% of the rateable value for the time being of the Property.</p>	The Property is a development site under construction as at the Valuation Date.	HK\$1,959,000,000 (Hong Kong Dollars One Billion Nine Hundred and Fifty Nine Million)

Notes:

- (1) According to the Conditions of Sale No 20352, the hotel portion of NKIL 6607 comprises “the part or parts of the lot and the building or buildings erected thereon developed, redeveloped, used or intended to be used for the purpose of a hotel or hotels” while the non-industrial portion of NKIL 6607 comprises “the part or parts of the lot and the building or buildings erected thereon developed, redeveloped, used or intended to be used for non-industrial (excluding residential, hotel, godown and petrol filling station) purposes”.
- (2) Pursuant to records obtained from the Land Registry, the registered owner of the Property is Sanon Limited as at the Valuation Date.
- (3) At the time of our recent search, the Property is subject to the following encumbrances: -
 - (i) Building mortgage incorporating a first floating charge in favour of DBS Bank Ltd in a consideration of all moneys vide memorial no 20092901810054 dated 17 September 2020.
- (4) The Property falls within the “Other Specified Uses (Stadium)” zone on the Approved Kai Tak Outline Zoning Plan No S/K22/6.
- (5) The use and development of the Property are governed by Conditions of Sale No 20352. The whole of the documents should be noted, but the following conditions are of particular relevance: -

“The lot or any part thereof or any building or part of any building erected or to be erected thereon shall not be used for any purpose other than for non-industrial (excluding residential, godown and petrol filling station but including hotel) purposes.”
- (6) The estimated total construction cost (including professional fees) of the Property is approximately HK\$904,000,000. The total cost incurred up to the Valuation Date is approximately HK\$132,000,000, as advised by the Client.
- (7) The estimated gross development value (“GDV”) of the Property upon completion of the proposed development in accordance with the existing government lease restriction is in the sum of approximately HK\$3,379,000,000 as of the Valuation Date.
- (8) In our valuation, we have assumed the following:-
 - (i) The registered owner(s) of the Property are the legal and beneficial owner(s) and are entitled to occupy, let, mortgage and redevelop the Property without any restriction.
 - (ii) All planning and construction permits and approvals have been obtained based on the proposed development scheme.
 - (iii) The proposed development scheme is in compliance with the relevant planning and building ordinances and guidelines.

(9) The following comparable transactions were considered in our valuation:

Ref No	Transaction Period	Address	Zoning	Consideration (HK\$) (Approx)	Site Area (sq ft)	Maximum	AV (HK\$/ sq ft)
						Total GFA (sq ft)	
C1	May-17	NKIL 6556 at Kai Tak Area 1F, Site 2, Kai Tak, Kowloon	Comprehensive Development Area (1)	\$24,600,000,000	204,990	1,912,440	\$12,863
C2	Feb-17	NKIL 6505 at King Lam Street, Cheung Sha Wan, Kowloon	Other Specified Uses	\$7,794,000,000	83,184	998,210	\$7,808
C3	Nov-19	KIL 11262 at the junction of Lin Cheung Road and Austin Road West, Kowloon	Comprehensive Development Area (1)	\$42,232,000,000	643,106	3,164,616	\$13,345

(10) The expected period of obtaining the Certificate of Compliance will be 2024.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

I. Long position in the Shares

Name of Director	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital ^(v)
David CHIU	Beneficial owner	23,023,223	0.95%
	Interest of spouse	585,322 ⁽ⁱ⁾	0.02%
	Interest of controlled corporations	1,206,370,025 ⁽ⁱ⁾	50.00%
Cheong Thard HOONG	Beneficial owner	13,799,326	0.57%
	Joint interest	496,184 ⁽ⁱⁱ⁾	0.02%

Name of Director	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital ^(v)
Dennis CHIU	Beneficial owner	4,915	0.00%
	Interest of controlled corporations	3,893,575 ⁽ⁱⁱⁱ⁾	0.16%
	Joint interest	2,139,261 ^(iv)	0.09%
Wing Kwan Winnie CHIU	Beneficial owner	78,602	0.00%

Notes:

- (i) 1,206,353,003 shares were held by Sumptuous Assets Limited and 17,022 shares were held by Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David CHIU and 585,322 shares were held by Ms. Nancy CHIU NG, spouse of Tan Sri Dato' David CHIU.
- (ii) 496,184 shares were held by Mr. Cheong Thard HOONG jointly with his spouse, Ms. Pei Chun TENG.
- (iii) 3,893,575 shares were held by Max Chain Holdings Limited, a company controlled by Mr. Dennis CHIU and his brother Mr. Daniel Tat Jung CHIU.
- (iv) 2,139,261 shares were held by Mr. Dennis CHIU jointly with his spouse, Ms. Lee Keng LEOW.
- (v) The percentage represents the number of ordinary shares interested divided by the Company's issued shares as at the Latest Practicable Date.

II. *Debentures*

As at the Latest Practicable Date, Tan Sri Dato' David CHIU was deemed to have an interest in (i) the 7.375% USD Senior Guaranteed Perpetual Capital Notes issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD9,000,000 of which USD5,000,000 was held by Tan Sri Dato' David CHIU and USD4,000,000 was held by his spouse, Ms. Nancy CHIU NG, and (ii) the 5.1% USD Medium Term Notes 2024 issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD4,000,000 of which USD1,000,000 was held by Tan Sri Dato' David CHIU and USD3,000,000 was held by his spouse, Ms. Nancy CHIU NG.

As at the Latest Practicable Date, Mr. Cheong Thard HOONG was deemed to have an interest in the 4.5% USD Medium Term Notes 2023 issued by the Company in the principal amount of USD1,000,000 of which USD300,000 was held by Mr. Cheong Thard HOONG and USD700,000 was held by Mr. Cheong Thard HOONG jointly with his spouse, Ms. Pei Chun TENG.

As at the Latest Practicable Date, Ms. Wing Kwan Winnie CHIU has an interest in (i) the 4.5% USD Medium Term Notes 2023 issued by the Company in the principal amount of USD400,000, (ii) the 7.375% USD Senior Guaranteed Perpetual Capital Notes issued by FEC Finance Limited, a wholly-owned subsidiary of the Company, in the principal amount of USD1,000,000, and (iii) the 5.1% USD Medium Term Note 2024 issued by FEC Finance Limited, a wholly owned subsidiary of the Company in the principal amount of USD3,000,000.

B. Associated corporations

Long position in the ordinary shares

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Approximate % of the relevant issued share capital
Cheong Thard HOONG	BC Investment Group Holdings Limited	Beneficial owner	792,383	3.46% ⁽ⁱ⁾
Craig Grenfell WILLIAMS	BC Investment Group Holdings Limited	Beneficial owner	254,112	1.11% ⁽ⁱ⁾
	Care Park Group Pty. Ltd.	Beneficiary of a discretionary trust	825 ⁽ⁱⁱ⁾	8.25% ⁽ⁱⁱⁱ⁾

Notes:

- (i) The percentage represents the number of ordinary shares interested divided by BC Investment Group Holdings Limited's issued shares as at the Latest Practicable Date.
- (ii) These shares in Care Park Group Pty. Ltd. were held by Chartbridge Pty Ltd in its capacity as the trustee of the Craig Williams Family Trust, and Mr. Craig Grenfell WILLIAMS, as a beneficiary of the Craig Williams Family Trust, was deemed to be interested in these shares.
- (iii) The percentage represents the number of ordinary shares interested divided by Care Park Group Pty. Ltd.'s issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or is deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company as recorded in the register at the Company required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of ordinary share interested	Approximate % of the Company's issued share capital ⁽ⁱⁱⁱ⁾
Sumptuous Assets Limited	Beneficial owner	1,206,353,003 ⁽ⁱ⁾ (long position)	49.996%
Deacon Te Ken CHIU	Beneficial owner	13,022,647 (long position)	0.54%
	Interest of controlled corporations	140,942,693 ⁽ⁱⁱ⁾ (long position)	5.84%
	Interest of spouse	1,624,301 ⁽ⁱⁱ⁾ (long position)	0.07%

Notes:

- (i) The interests of Sumptuous Assets Limited were also disclosed as the interests of Tan Sri Dato' David CHIU in the above section headed "Disclosure of Interests — Directors and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations". Tan Sri Dato' David CHIU is a director of Sumptuous Assets Limited.
- (ii) 140,942,693 shares were held by various companies controlled by Mr. Deacon Te Ken CHIU's estate and 1,624,301 shares were held by Mrs. Ching Lan JU CHIU, spouse of Mr. Deacon Te Ken CHIU. Mr. Deacon Te Ken CHIU passed away on 17 March 2015 and his interests in the ordinary shares of the Company forms part of his estate.
- (iii) The percentage represents the number of ordinary shares interested divided by the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than any Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept under Section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors (not being the independent non-executive Directors) nor their respective close associates are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

6. LITIGATION

Save as disclosed in the paragraph headed "2. Statement of indebtedness — Contingent liabilities" in Appendix I to this circular, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

- (a) the sale and purchase agreement dated 15 June 2021 entered into between Mazuma Holdings Limited and Dorsett Hospitality (UK) Ltd (both being indirect wholly-owned subsidiaries of the Company) as sellers, Aldgate Hotel Bidco Limited as purchaser and the Company as guarantor in relation to, among other things, the sale of the entire issued share capital of Elite Region Limited and Dorsett City London Limited, being the owner and the operator of the Dorsett City London Hotel respectively at an aggregate consideration of

£115,000,000 (subject to adjustment) less the amount payable by Elite Region Limited under a facility agreement dated 18 September 2015 and the amount payable by Elite Region Limited to Mazuma Holdings Limited under the shareholder's letter from Mazuma Holdings Limited to Elite Region Limited dated 24 November 2015;

- (b) the settlement agreement dated 27 July 2021 entered into between Guangdong Trust Real Estate Development Co., Ltd.* (廣東省信託房產開發有限公司), Star Bridge Development Limited (an indirect wholly-owned subsidiary of the Company), Guangzhou Dong Qiao Real Estate Development Co., Ltd.* (廣州市東橋房地產開發有限公司) (a company indirectly held by the Company as to 85%) and Guangzhou Wanxi Enterprise Management Co., Ltd.* (廣州市萬溪企業管理有限公司), pursuant to which (i) Guangzhou Dong Qiao Real Estate Development Co., Ltd.* (廣州市東橋房地產開發有限公司) will be wound up, and (ii) 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) and the appeal under case number (2020) Yue 0103 Min Chu No. 8853 ((2020)粵0103民初 8853號) in relation to the land parcel numbered Sui Fu Guo Yong [2004] No. 105 (穗府國用[2004]105號地塊) in Guangzhou will be withdrawn at a consideration of RMB408,000,000 paid by Guangdong Trust Real Estate Development Co., Ltd.* (廣東省信託房產開發有限公司) to Star Bridge Development Limited;
- (c) the sale and purchase agreement dated 17 September 2021 entered into between Advance Delight Global Limited (an indirect wholly-owned subsidiary of the Company) as the vendor, Kheng Leong Company (H.K.) Limited as the purchaser, Far East Consortium Limited (an indirect wholly-owned subsidiary of the Company) as the guarantor and the Company in relation to, among other things, the sale of all the issued and paid-up shares of Highest Reach Investments Limited (峰達投資有限公司), a company through its subsidiaries owned a freehold condominium development situated on 21 Anderson Road in Singapore, at an aggregate consideration of S\$213,000,000 (subject to adjustment);
- (d) the development agreement dated 21 October 2021 entered into between Drakar Limited (an indirect wholly-owned subsidiary of the Company) as the developer, Far East Consortium Limited (an indirect wholly-owned subsidiary of the Company) as the developer's guarantor, Affinity Sutton Professional Services Limited as the purchaser and Clarion Housing Association Limited as the purchaser's guarantor in relation to, among other things, the grant with full title guarantee of the lease of the affordable housing units to be built at Consort Place, London, at a consideration of £42,649,685.27 (inclusive of value added tax);
- (e) the sale and purchase agreement dated 24 November 2021 (as amended and supplemented by an amendment agreement dated 30 November 2021) entered into between River Riches Limited (a company indirectly held by the Company as to 50%) as the purchaser, Yan You Limited as the vendor, the

Company and New World Development Company Limited (新世界發展有限公司) as the purchaser's guarantors, and Kaisa Group Holdings Limited (佳兆業集團控股有限公司*) as the vendor's guarantor in relation to, among other things, the acquisition of 100% of all the issued ordinary shares of Rich Fast International Limited, a company which is the legal and beneficial owner of New Kowloon Inland Lot No. 6591 at a consideration of HK\$7,948,000,000 minus HK\$3,052,000,000 (being the total outstanding principal amount under a facility agreement entered into between, among others, Rich Fast International Limited and a commercial bank); and

- (f) the SPA.

8. QUALIFICATION AND CONSENT OF EXPERT

The qualification of the expert who has been named in this circular or has given opinion or advice contained in this circular is set out below:

Name	Qualification
Knight Frank	Independent property valuer

- (a) As at the Latest Practicable Date, Knight Frank did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Knight Frank did not have any direct or indirect interest in any assets which had been, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group.
- (c) Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its report and/or references to its name in the form and context in which it appears.

9. GENERAL

- (a) The company secretary of the Company is Mr. Wai Hung Boswell CHEUNG. Mr. Wai Hung Boswell CHEUNG is a non-practicing member of the Hong Kong Institute of Certified Public Accountants and a qualified accountant of CPA Australia.
- (b) The registered office of the Company is at P.O. Box 1043, Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands.
- (c) The principal office of the Company is situated at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

- (d) The Company's share registrar and transfer office in Hong Kong is Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS ON DISPLAY

The following documents will be published on (i) the website of the Company (www.fecil.com.hk) and (ii) the website of the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular:

- (a) the SPA;
- (b) the Property Valuation Report, the text of which is set out in Appendix II to this circular; and
- (c) the letter of consent referred to under the paragraph headed "Qualification and Consent of Expert" in this appendix.

This circular, in both English and Chinese versions, is available on the Company's website at www.fecil.com.hk.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this circular since both languages are bound together into one booklet.