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## **FAR EAST CONSORTIUM INTERNATIONAL LIMITED**

**遠東發展有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

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

**(Stock Code: 35)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANY AND THE INTERCOMPANY LOAN**

#### **THE ACQUISITION**

The Board is pleased to announce that on 14 March 2022, the Buyer (an indirect wholly-owned subsidiary of the Company), the Seller and the Warrantors entered into the SPA. Under the SPA, the Buyer will acquire the entire issued share capital of the Target Company and take the assignment of the Intercompany Loan at the consideration of £95,702,560 (equivalent to approximately HK\$977,123,138), subject to Adjustment. Subject to Completion occurring, the Seller will have the option to, at any time after Completion and on or before the end of six (6) months after Completion, repurchase the entire issued share capital of the Target Company and the Intercompany Loan from the Buyer.

#### **LISTING RULES IMPLICATIONS**

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

\* *For identification purposes only*

## **THE ACQUISITION**

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On the same day, the Seller, certain subsidiaries of Guangzhou R&F, the Buyer and the Target Group entered into deeds of assignment to assign to the Buyer all rights, title, interest, benefit and advantage in and under the Intercompany Loan at Completion.

### **Principal terms of the SPA**

Summarised below are the principal terms of the SPA:

- Date : 14 March 2022
- Parties : (1) Big Brilliance Limited as the seller;
- (2) Next Talent Developments Limited as the buyer;
- (3) R&F Properties (HK) Company Limited as a warrantor; and
- (4) Li Sze Lim as a warrantor

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Seller and the Warrantors and their respective ultimate beneficial owners (if applicable) are all third parties independent of the Company and its connected person (as defined under the Listing Rules).

### **Nature of the Acquisition and assets to be acquired**

Pursuant to the SPA, the Buyer will acquire the entire issued share capital of the Target Company with full title guarantee and will take assignment of all benefits and interests of and in the Intercompany Loan. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

### **Consideration and payment terms**

The consideration of £95,702,560 (equivalent to approximately HK\$977,123,138), subject to Adjustment, comprises the following:

- (a) the total consideration payable by the Buyer to the Seller for the sale and purchase of the entire issued share capital of the Target Company in the sum of £1; and
- (b) the total consideration payable by the Buyer to the Seller for the assignment of the Intercompany Loan in the sum of £95,702,559.

Payment of the Consideration shall be satisfied in the following manner:

- (i) an amount equal in value to the total outstanding liabilities owing in respect of the Bank Loan as at Completion (the “**Bank Loan Amount at Completion**”) as notified by the Buyer to the Seller prior to Completion shall be deemed to be paid to the Seller and satisfied by way of the Buyer procuring the Company to enter into a new guarantee in respect of the Bank Loan in the place of R&F Prop HK and in a form satisfactory to the Buyer; and
- (ii) an amount equal to the balance of the Consideration minus the Withholding Amount (which shall be withheld by the Buyer in accordance with the SPA), being the Consideration minus the Withholding Amount minus the Bank Loan Amount at Completion (such amount as notified by the Buyer to the Seller prior to Completion), shall be paid by the Buyer to the Seller in cash at Completion.

The Consideration was determined after arm’s length negotiations with reference to, among other things, the market value of the Development held by the Target Group and the development potential of the Development. The Consideration will be funded by the Group’s internal resources and the assumption of the Bank Loan Amount at Completion.

#### **Adjustment to Consideration**

- (a) An amount reflecting the estimate of the Buyer and its affiliates’ costs and expenses including without limitation, legal costs, title insurance, rights of light insurance and stamp duty in connection with the transactions contemplated by the SPA shall be withheld from the Consideration and the Buyer shall absolutely not be required to pay such amount of the Consideration representing such costs and expenses (the “**Withholding Amount**”). In the event that such Buyer and its affiliates’ costs and expenses in connection with the transactions contemplated by the SPA are higher than the Withholding Amount, the Seller undertakes to reimburse and pay on demand the Buyer for the shortfall. In the event that such Buyer and its affiliates’ costs and expenses in connection with the transactions contemplated by the SPA are less than the Withholding Amount, the Buyer undertakes to pay the difference on the day falling 6 months from Completion.
- (b) The Seller must within two business days of demand from the Buyer (which may be given at any time), pay to the Buyer the amount of any actual or contingent liability of any member of the Target Group as at Completion, as notified by the Buyer to the Seller at any time after Completion, and such payment shall be deemed as an adjustment and reduction to the Consideration ((a) and (b) collectively, the “**Adjustment**”).

## **Option to repurchase**

Subject to Completion occurring, the Seller will have the option to, at any time after Completion and on or before the end of six (6) months after Completion, repurchase the entire issued share capital of the Target Company and the Intercompany Loan from the Buyer at the Option Consideration.

The Seller may exercise the option by notice to the Buyer given at any time on or before the day falling 30 days prior to the date which is 6 months after the Completion date. Such notice once given shall be irrevocable.

The option will automatically lapse and cease to be exercisable by the Seller if the option has not been duly exercised on or before the end of six (6) months after Completion, or any Adjustment is not made by the Seller and received by the Buyer within two (2) business days of demand by the Buyer, or there has occurred a material breach of any provision under the SPA.

The Option Consideration was determined after arm's length negotiations with reference to, among other things, the Group's required return on the Consideration payable.

Completion of the sale and repurchase shall take place 20 business days after the service of the option exercise notice by the Seller or as otherwise agreed between the parties. If, following service of notice by the Seller on the exercise of the option to repurchase, any amount owing by the Target Group to the Buyer or any of its affiliates (as notified by the Buyer to the Seller) has not been repaid in full prior to the day falling 20 business days after the date of service, then the option shall forthwith automatically lapse and cease to be exercisable by the Seller and the Buyer shall have no obligation whatsoever to complete the repurchase.

## **Conditions precedent**

Completion shall be subject to the satisfaction of the conditions precedent (and/or waiver, if applicable) as more particularly set out in the SPA, including without limitation, the following:

- (a) completion of business, financial, legal, environmental and tax due diligence on the Target Group and the Development to the satisfaction of the Buyer;
- (b) full compliance by the Seller, R&F Prop HK and the Target Group with all regulatory requirements for the transactions contemplated under the transaction documents;
- (c) evidence satisfactory to the Buyer that the lending bank of the Bank Loan has agreed (in a form acceptable to the Buyer) to the transactions contemplated under the SPA including the release of the guarantee given by R&F Prop HK and the new guarantee given by the Company and such amendments to the terms of the Bank Loan in a form satisfactory to the Buyer, without the Target Group or the Buyer or any of its affiliates incurring or becoming subject to any loss or potential loss;
- (d) the total outstanding liabilities in respect of the Bank Loan being no more than £95,702,560 converted into HK\$ at the relevant rate for conversion from £ to HK\$ offered by the lending bank at Completion;

- (e) in respect of each agreement (including without limitation certain service agreements and trademark licensing agreements) entered into between the Target Group and certain third parties, the relevant third parties entering into a deed of termination with the Target Group in a form satisfactory to the Buyer terminating such agreements without the Target Group becoming subject to any loss or potential loss;
- (f) there being no outstanding payments, liabilities or penalties of any kind whatsoever owing by the Target Group to certain third parties under or in connection with any of the agreements referred to in (e) above;
- (g) there has not been or occurred (1) any event or circumstance that occurred which causes or is reasonably like to cause any material adverse change; (2) a change in the shareholding of the Seller; (3) a material breach of any warranty by the Seller; (4) a material breach of any undertakings in relation to the conduct of business of the Target Group by the Seller; (5) a material breach of any transaction document by the Seller; or (6) an insolvency event suffered by any members of the Target Group, the Seller or the Warrantors;
- (h) delivery by the Seller to the Buyer of a certificate in a form satisfactory to the Buyer and signed by the directors of the Seller certifying, confirming, representing and warranting that all of the conditions precedent have been satisfied and remain satisfied; and
- (i) deeds of release in respect of rights of light in relation to the Development as required by the Buyer in its discretion having been duly executed by the relevant parties thereto in form and substance satisfactory to the Buyer and original copies of all documents have been given to the Buyer.

If the conditions precedent are not satisfied or waived in accordance on or before 30 April 2022 (the “**End Date**”), then the Seller or the Buyer may at any time thereafter and before satisfaction or waiver of those conditions precedent, terminate the SPA by giving written notice to the other. Notwithstanding that, the Buyer may at any time change the End Date by notice given by the Buyer to the Seller.

### **Additional Obligations**

The Warrantors irrevocably and unconditionally, jointly and severally:

- (a) guarantee to the Buyer as principal obligor the due and punctual performance and observance by the Seller of all its obligations under the SPA; and
- (b) indemnify the Buyer against all losses, damages, costs and expenses incurred by the Buyer arising from any failure by the Seller to perform and/or observe any of its obligations under the SPA.

### **Completion**

Completion shall take place three (3) business days after (and excluding) the satisfaction or waiver (in accordance with the SPA), as the case may be, of all of the conditions precedent.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SPA**

The terms of the SPA were negotiated on arm's length basis by the parties taking into account, among others, the market value of the Development held by the Target Group and the development potential of the Development. The Development is located in London, the United Kingdom, a city and country where the Group has accumulated significant human resources and experience.

The Acquisition represents an attractive acquisition for the Group and is consistent with the Group's property development business. It will add approximately 133,000 sqm gross floor area to the Group's development pipeline in a location with strong capital appreciation potential and well served by public transportation in London. Even if the repurchase option is exercised, the deal will offer an attractive return to the Group in a short time frame.

Even though the Target Group incurred net losses for the previous two financial years, such losses were mainly attributable to the historical interest expenses on the Bank Loan and the Intercompany Loan which were not capitalised. As the Buyer will acquire the Intercompany Loan and assume the Bank Loan Amount at Completion under the Acquisition, such interest expenses will be capitalised based on the Company's policies. Hence, the Group does not expect such losses to be recurring.

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

## **INFORMATION OF THE TARGET COMPANY AND THE DEVELOPMENT**

The Target Company is a company incorporated in England and Wales with limited liability principally engaged in investment holding. The Target Group is the legal and beneficial owner of the Development. The Development is a mixed use scheme currently known as "Vauxhall Square" located at Vauxhall Square, Vauxhall, London, the United Kingdom, with planning consent for approximately 133,000 sqm gross floor area of mixed use development comprising residential, hotel and hostel, office, retail and leisure as approved under planning permission 15/05619/VOC and subsequent non material amendment approvals. As at the date of this announcement, the construction of the Development has not commenced on the main site. According to a valuation report issued in October 2020 by Savills (UK) Limited, an independent valuer, the market value of the Development was appraised at £165,000,000 (equivalent to approximately HK\$1,684,650,000).

Set out below is the audited financial information of the Target Company for the years ended 31 December 2019 and 31 December 2020:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(audited)	(audited)
	£	£
Loss before and after taxation and extraordinary items	34,878	18,070

Based on the unaudited management accounts of the Target Company, the unaudited net asset value of the Target Company as at 31 January 2022 is approximately negative £60,732 (equivalent to approximately negative HK\$620,074).

Set out below is the financial information of the two subsidiaries of the Target Company, for the years ended 31 December 2019 and 31 December 2020:

**Subsidiary 1:**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(audited)	(audited)
	£	£
Loss before and after taxation and extraordinary items	4,988,803	13,364,934

Based on the unaudited management accounts of subsidiary 1, the unaudited net asset value of subsidiary 1 as at 31 January 2022 is approximately negative £43,023,337 (equivalent to approximately negative HK\$439,268,271).

**Subsidiary 2:**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(unaudited)	(unaudited)
	£	£
Loss before and after taxation and extraordinary items	nil	nil

Based on the unaudited management accounts of subsidiary 2, the unaudited net asset value of subsidiary 2 as at 31 January 2022 is approximately negative £4,723 (equivalent to approximately negative HK\$48,222).

## **INFORMATION ON THE PARTIES**

### **Information on the Seller and the Warrantors**

The Seller is a direct wholly-owned subsidiary of the R&F Prop HK, which is in turn a direct wholly-owned subsidiary of Guangzhou R&F. The Seller is principally engaged in investment holding.

R&F Prop HK is a direct wholly-owned subsidiary of Guangzhou R&F and is principally engaged in investment holding.

Mr. Li is a substantial shareholder of Guangzhou R&F interested in approximately 28.97% of the total share capital of Guangzhou R&F.

The substantial shareholders of Guangzhou R&F are Mr. Li and Mr. Zhang Li, who are the largest shareholders of Guangzhou R&F and are interested in approximately 28.97% and 27.77% of the total issued share capital of Guangzhou R&F, respectively. As informed by Guangzhou R&F, none of its other shareholders is interested in more than 5% of its total issued share capital.

### **Information of the Buyer and the Company**

The Buyer is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

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.

## **LISTING RULES IMPLICATIONS**

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

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company and the assignment of the Intercompany Loan pursuant to the SPA
“Adjustment”	has the meaning given to it under the paragraph headed “The Acquisition – Adjustment to Consideration” in this announcement



“Bank Loan”	the HK\$835,000,000 term loan facility provided by a bank (an independent third party) to the Target Group
“Bank Loan Amount at Completion”	has the meaning given to it under the paragraph headed “The Acquisition – Consideration and payment terms” in this announcement
“Board”	board of Directors
“Buyer”	Next Talent Developments Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly owned subsidiary of the Company
“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 Acquisition pursuant to the SPA
“Consideration”	total consideration of £95,702,560 (equivalent to approximately HK\$977,123,138) for the Acquisition pursuant to the SPA
“Development”	a mixed use scheme currently known as “Vauxhall Square” located at Vauxhall Square, Vauxhall, London, the United Kingdom, with planning consent for approximately 133,000 sqm gross floor area of mixed use development comprising residential, hotel and hostel, office, retail and leisure as approved under planning permission 15/05619/VOC and subsequent non material amendment approvals
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou R&F”	Guangzhou R&F Properties Co., Ltd.* (廣州富力地產股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the main board of the Stock Exchange (stock code: 2777)
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intercompany Loan”	all amounts due to the Seller and certain subsidiaries of Guangzhou R&F from the Target Group, which shall be no less than £164,548,000 (equivalent to approximately HK\$1,680,035,080) in aggregate

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Li Sze Lim
“Option Consideration”	<p>the sum of £106,610,353 (equivalent to approximately HK\$1,088,491,704) plus the total amount of all of the following costs, liabilities and expenses:</p> <p>(a) all costs, liabilities and expenses, including without limitation operating expenses, borne by the Buyer and its affiliates related to or in connection with the Target Group and the transaction contemplated under the SPA;</p> <p>(b) all costs, liabilities and expenses, including without limitation insurance, tax and legal expenses, incurred by the Target Group after Completion; and</p> <p>(c) all costs, liabilities and expenses incurred by the Buyer, its affiliates and the Target Company in relation to the prepayment or repayment of the Bank Loan</p>
“Percentage Ratios”	have the meaning ascribed to such term in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“R&F Prop HK”	R&F Properties (HK) Company Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of Guangzhou R&F
“Seller”	Big Brilliance Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of R&F Prop HK
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“SPA”	the sale and purchase agreement dated 14 March 2022 entered into between the Seller (as seller), the Buyer (as buyer), R&F Prop HK (as warrantor) and Mr. Li (as warrantor)
“sqm”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules

“Target Company”	R&F Properties VS (UK) Co., Ltd, a company incorporated in England and Wales with limited liability, an indirect wholly-owned subsidiary of Guangzhou R&F
“Target Group”	the Target Company and its two subsidiaries
“Warrantors”	collectively, R&F Prop HK and Mr. Li
“Withholding Amount”	has the meaning given to it under the paragraph headed “The Acquisition – Adjustment to Consideration” in this announcement
“%”	per cent
“£”	Great British Pound, the lawful currency of the United Kingdom

*For the purpose of this announcement and for illustration purpose only, conversion of £ to HK\$ is based on the exchange rate of £ to HK\$10.21. No representation is made that any amounts in £ have been or could be converted at the above rate or any other rates.*

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

Hong Kong, 14 March 2022

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