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**遠東控股國際有限公司**

**Far East Holdings International Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 36)**

## **MAJOR DISPOSAL IN RELATION TO DISPOSAL OF A SUBSIDIARY**

**AND**

## **MAJOR TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES IN MARKET TALENT LIMITED**

**Financial Adviser**



**ASIAN CAPITAL**

**(CORPORATE FINANCE) LIMITED**

**卓亞(企業融資)有限公司**

### **THE AGREEMENT**

On 20 May 2011, the Company, Market Talent and Mr. Chu entered into the Agreement, pursuant to which the Company conditionally agreed to sell and Market Talent conditionally agreed to purchase the Sale Share and the Sale Loan at an aggregate consideration of HK\$8,000,000 by allotment and issue of Consideration Shares. In addition, the Company conditionally agreed to subscribe for and Market Talent conditionally agreed to allot and issue Subscription Shares at a consideration of HK\$9,000,000 pursuant to the Agreement.

After the Disposal and Subscription, the Company, through Market Talent, will indirectly hold less than or equal to 20% of the interests in HomeBase Group and AMX Asia, and investment in Market Talent will become an available-for-sale investment of the Group.

## **LISTING RULES IMPLICATION**

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Disposal is over 25% but less than 75%, the Disposal constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Subscription is over 25% but less than 100%, the Subscription constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. Pursuant to Rule 14.24, in the case of a transaction involving both an acquisition and a disposal, the Stock Exchange will apply the percentage ratios to both the acquisition and the disposal and the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to that classification. Accordingly, each of the Disposal and the Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the requirements of reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## **EGM**

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, passing the resolutions to approve the Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders and its associates has a material interest in the transactions contemplated under the Agreement, accordingly no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

A circular containing, amongst other things, further details of (i) the Disposal; (ii) the Subscription; (iii) the financial information of the Group; and (iv) the notice of the EGM will be dispatched to the Shareholders on or before 13 June 2011.

## **THE AGREEMENT**

On 20 May 2011, the Company, Market Talent and Mr. Chu entered into the Agreement, pursuant to which the Company conditionally agreed to sell and Market Talent conditionally agreed to purchase the Sale Share and the Sale Loan at an aggregate consideration of HK\$8,000,000 by allotment and issue of Consideration Shares. In addition, the Company conditionally agreed to subscribe for and Market Talent conditionally agreed to allot and issue Subscription Shares at a consideration of HK\$9,000,000 pursuant to the Agreement. Details of the Agreement are set out below:

### **Parties**

Vendor:       The Company

Purchaser: Market Talent

Guarantor: Mr. Chu

Market Talent is a company incorporated in the Cayman Islands with limited liability and is an investment holding company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Market Talent and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **THE DISPOSAL**

### **Asset to be disposed of**

The Sale Share, representing the entire issued share capital of HomeBase Media, and the Sale Loan.

As at the date of this announcement, HomeBase Media is a wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

### **Consideration of the Disposal**

Pursuant to the Agreement, the consideration for the Disposal is HK\$8,000,000, which is determined with reference to (i) the appraised value as stipulated in the preliminary valuation report prepared by an independent third party valuer; (ii) the audited net liabilities of HomeBase Group of approximately HK\$96.4 million as at 31 December 2010; and (iii) the continual loss of HomeBase Group. The consideration will be satisfied by way of allotment and issue of the Consideration Shares, which shall rank *pari passu* with respect to all other issued share capital in Market Talent.

## **THE SUBSCRIPTION**

### **Assets to be acquired**

Pursuant to the Agreement, the Company conditionally agreed to subscribe or procure its nominees to subscribe and Market Talent conditionally agreed to allot and issue the Subscription Shares to the Company.

### **Consideration of the Subscription**

The consideration of the Subscription shall be HK\$9,000,000, which will be payable in cash. The consideration was determined after arm's length negotiation between the Company and Market Talent after considering (i) the prospects of the combined business of AMX Asia and HomeBase Group achieving synergy effects between them; and (ii) the prevailing price-to-earnings multiple of comparable companies in the market.

### **The Consideration Price and the Subscription Price**

The Consideration Price and the Subscription Price will be determined with reference to (i) the audited profit of AMX Asia prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 March 2011; and (ii) the prevailing price-to-earnings multiple of market comparable in the industry. The Consideration Price and the Subscription Price shall be computed in accordance with the following formula:

$$\frac{A \times 10}{B} = C$$

- where,    A    =    the audited profit of AMX Asia prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 March 2011
- B    =    1,000, being the total number of shares of Market Talent legally and beneficially held by Mr. Chu after completion of the Reorganization
- C    =    the Consideration Price or the Subscription Price

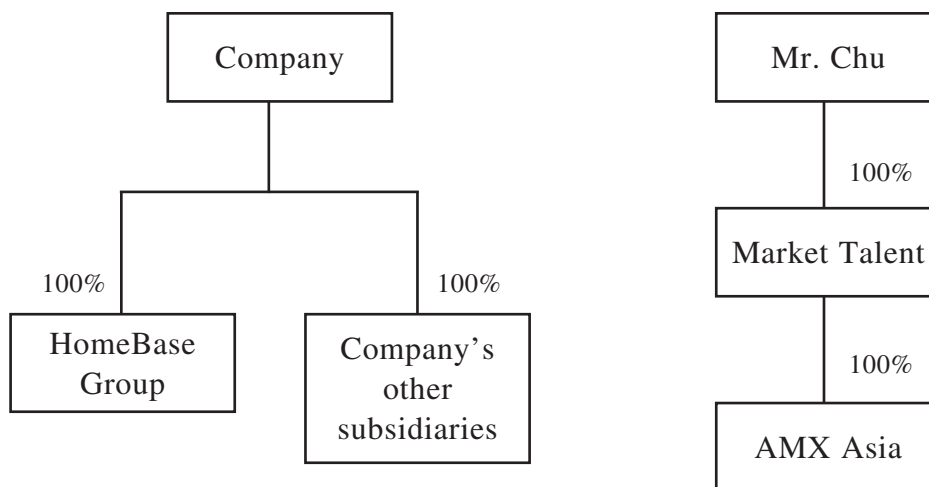
### **Corporate Structure**

As at the date of this announcement, HomeBase Media is a wholly-owned subsidiary of the Company.

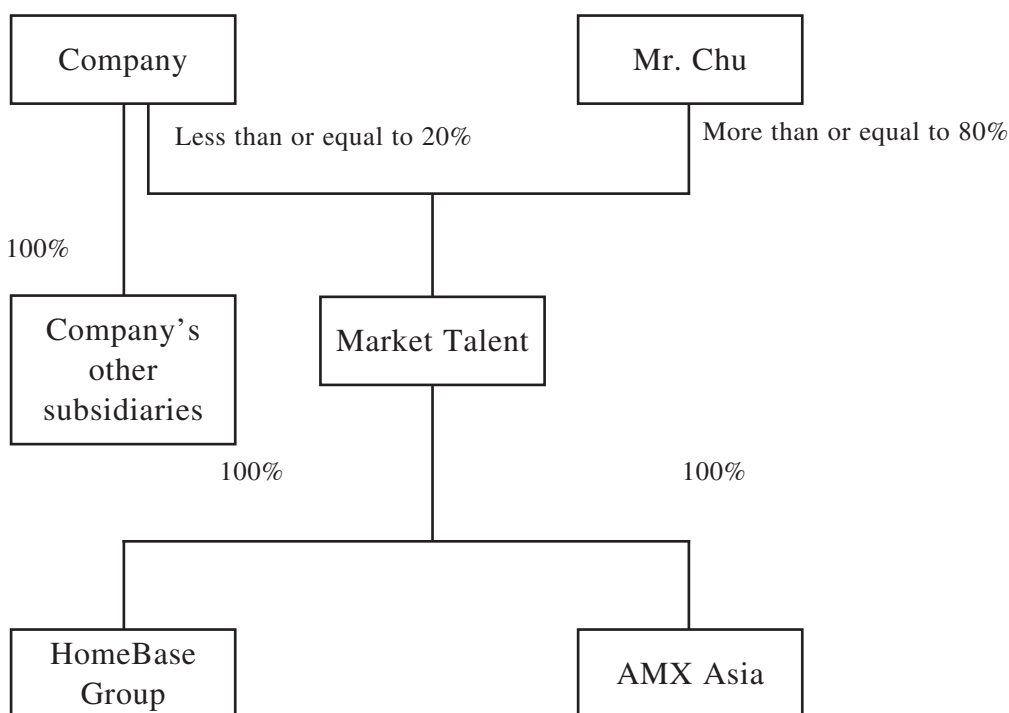
Upon Completion, Market Talent will issue Consideration Shares and Subscription Shares to the Company and the number of such shares will be derived from the aggregate consideration of the Disposal and the Subscription divisible by the Consideration Price or the Subscription Price. However, in all circumstances, the total number of the Consideration Shares and the Subscription Shares to be allotted and issued to the Company is capped at and shall not more than 20% of the issued share capital of Market Talent as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares. After Completion, HomeBase Media will become a wholly-owned subsidiary of Market Talent.

The following diagrams illustrate the structure of the Group and Market Talent as at the date of this announcement and immediately after the Completion.

*As at the date of this announcement:*



*Immediately after the Completion:*



**Conditions Precedent**

Completion shall be subject to and conditional upon the fulfillment or waiver (if applicable) of the following conditions:

- (i) the Company having satisfied with the results of the due diligence review to be conducted, including but not limited to the satisfaction of the financial, legal and operational aspects of AMX Asia;

- (ii) Market Talent having satisfied with the results of the due diligence review to be conducted, including but not limited to the satisfaction of the financial, legal and operational aspects of HomeBase Group;
- (iii) the approval of the Agreement and transactions contemplated thereunder by the Shareholders at the EGM in accordance with the Listing Rules;
- (iv) all other consents, licences and approvals on the part of the Company, HomeBase Media, Market Talent and Mr. Chu in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (v) the Company having obtained the audited financial statements of AMX Asia for the year ended 31 March 2011 showing the earnings before interest (including bank charges), taxes, depreciation, amortization and extraordinary items of AMX Asia to be not less than HK\$5 million;
- (vi) the warranties of the Company and Market Talent remaining true and accurate; and
- (vii) the Reorganization having been completed to the satisfaction of the Company.

In the event the abovementioned conditions precedent are not fulfilled (or condition precedent (i) above not being waived by the Company or condition precedent (ii) above not being waived by Market Talent) on or before 31 August 2011 (or such later date as the parties to the Agreement may agree in writing), the Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities towards each other hereunder, save for any antecedent breach of the terms hereof.

### **Completion**

Completion shall take place on the date falling two Business Days (or such other date as the Company and Market Talent may agree) after all conditions precedent to the Agreement being fulfilled (or being waived).

### **INFORMATION ON HOMEBASE GROUP**

As at the date of this announcement, HomeBase Media is a wholly-owned subsidiary of the Company and has 1 issued share of HK\$1 each. HomeBase Group is principally engaged in advertising and development of background music equipment, and provision of media and advertising services and provision of cross-platform entertainment marketing.

Set out below is the financial information of HomeBase Group as extracted from the audited consolidated financial statements for the two years ended 31 December 2010 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	2009	2010
	<i>(app. HK\$ million)</i>	<i>(app. HK\$ million)</i>
	(audited)	(audited)
Revenue	5.4	8.1
Net loss before tax	14.4	52.8
Net loss after tax	14.4	52.8

	<b>As at 31 December</b>	
	2009	2010
	<i>(app. HK\$ million)</i>	<i>(app. HK\$ million)</i>
	(audited)	(audited)
Total assets	49.0	17.0
Total liabilities	88.8	113.6
Net liabilities	39.8	96.4

#### **INFORMATION ON AMX ASIA**

AMX Asia is principally engaged in the business of trading of electronic products and provision of on-demand video services and solutions. As at the date of this announcement, Mr. Chu is the sole ultimate beneficial owner of AMX Asia.

Set out below is the financial information of AMX Asia as extracted from the audited financial statements for the year ended 31 March 2010 and the unaudited management accounts for the nine months ended 31 December 2010 prepared in accordance with Hong Kong Financial Reporting Standard:

	<b>For the year ended</b>	<b>For the first</b>
	<b>31 March 2010</b>	<b>nine months ended</b>
	<i>(app. HK\$ million)</i>	<i>(app. HK\$ million)</i>
	(audited)	(unaudited)
Revenue	58.6	65.1
Net profit before tax	1.2	6.2
Net profit after tax	1.2	6.2

	<b>As at 31 March 2010</b> <i>(app. HK\$ million)</i> (audited)	<b>As at 31 December 2010</b> <i>(app. HK\$ million)</i> (unaudited)
Total assets	24.0	36.1
Total liabilities	19.7	25.6
Net assets	4.3	10.5

## **REASONS AND BENEFITS FOR THE DISPOSAL AND SUBSCRIPTION**

The Company's principal business is to invest in potential businesses in PRC. Its subsidiaries and associates are engaged in information technology, media, manufacturing and financial services.

As HomeBase Group (i) has been suffering from substantial loss from its operations; and (ii) has an audited net liabilities of approximately HK\$96.4 million as at 31 December 2010, the Company has been seeking for an industry partner which could form a strategic alliance with the HomeBase Group with a view to enhancing and turning around its business and financial position.

AMX Asia has been engaged in audio visual equipment and audio visual information technology ("AVIT") solutions for 7 years with established track record, and has built a solid online video platform and customers' base. In addition, the average industry experience of AMX Asia's key management team is over 10 years.

After the Disposal and Subscription, the Company, through Market Talent, will indirectly hold less than or equal to 20% of the interests in HomeBase Group and AMX Asia.

The Directors believe that by cooperating with AMX Asia, HomeBase Group will benefit from their experienced management team, and synergy effects will be achieved between HomeBase Group's online music platform and AMX Asia's distribution of AVIT equipment and provision of AVIT solutions, thereby improving the financial performance of HomeBase Group. As such, the Directors believe that the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND SUBSCRIPTION**

Upon Completion, HomeBase Media and its subsidiaries will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the Group's financial statements. Immediately after the Completion, investment in Market Talent will become an available-for-sale investment of the Group.

The Group expects to recognize a gain from the Disposal of approximately HK\$8 million, which is calculated on the basis of (i) audited net liabilities of HomeBase Group of approximately HK\$96.4 million as at 31 December 2010; (ii) net of the consideration of HK\$8,000,000 received for the Disposal; and (iii) the Sale Loan of HK\$96.4 million.



## **LISTING RULES IMPLICATION**

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Disposal is over 25% but less than 75%, the Disposal constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Subscription is over 25% but less than 100%, the Subscription constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. Pursuant to Rule 14.24, in the case of a transaction involving both an acquisition and a disposal, the Stock Exchange will apply the percentage ratios to both the acquisition and the disposal and the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to that classification. Accordingly, each of the Disposal and the Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the requirements of reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## **EGM**

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, passing the resolutions to approve the Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders and its associates has a material interest in the transactions contemplated under the Agreement, accordingly no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

A circular containing, amongst other things, further details of (i) the Disposal; (ii) the Subscription; (iii) the financial information of the Group; and (iv) the notice of the EGM will be dispatched to the Shareholders on or before 13 June 2011.

## **GENERAL**

Trading in the Shares has been suspended since 12:05 p.m. on 3 September 2010 and will remain suspended until further notice. The Company will update the Shareholders when and as appropriate by publishing further announcement(s).

## DEFINITIONS

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

“Agreement”	the sale and purchase and subscription agreement dated 20 May 2011 entered into between the Company, Mr. Chu and Market Talent in relation to the Disposal and the Subscription
“AMX Asia”	AMX Asia Limited, a company incorporated in Hong Kong with limited liability and legally and beneficially wholly-owned by Mr. Chu as at the date of this announcement
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	means the completion of the Disposal and the Subscription
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration Price”	the price per Consideration Share to be determined in accordance with the formula set out in the Agreement
“Consideration Share(s)”	new share(s) of Market Talent to be allotted and issued to the Company or its nominees, the number of shares to be allotted and issued will be determined with reference to the formula as set out in the section headed “The Consideration Price and Subscription Price” in this announcement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company to Market Talent pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HomeBase Media”	HomeBase Media Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“HomeBase Group”	HomeBase Media and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Talent”	Market Talent Limited, a company incorporated in the Cayman Islands with limited liability, and legally and beneficially wholly-owned by Mr. Chu as at the date of this announcement
“Mr. Chu”	Mr. Chu Kar Cheong, the guarantor for the performance by Market Talent under the Agreement. As at the date of this announcement, Mr. Chu is also the ultimate beneficial owner of the entire issue share capital of Market Talent and AMX Asia
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Reorganization”	the reorganization of the corporate structure of Market Talent and the AMX Asia such that immediately following the completion of the Reorganization, AMX Asia will be 100% held by Market Talent

“Sale Loan”	all obligations, liabilities and debts owing or incurred by the HomeBase Group to the Company of approximately HK\$96.4 million (as at the date of this announcement) free from all encumbrances on or at any time prior to the Completion
“Sale Share”	1 ordinary share of HK\$1 each in HomeBase Media, representing the entire issued share capital of HomeBase Media
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of Subscription Shares by the Company pursuant to the Agreement
“Subscription Price”	the price per Subscription Share to be determined in accordance with the formula set out in the Agreement
“Subscription Share(s)”	new share(s) of Market Talent to be subscribed by the Company or its nominees, the number of shares to be allotted and issued will be determined with reference to the formula as set out in the section headed “The Consideration Price and the Subscription Price” in this announcement
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

For and on behalf of  
**FAR EAST HOLDINGS INTERNATIONAL LIMITED**  
**Derek Chiu**  
*Director*

Hong Kong, 20 May 2011

*As at the date of this announcement, the Board of the Company comprises eight Directors, of which three are executive Directors, namely Deacon Te Ken Chiu, J.P., Mr. Duncan Chiu and Mr. Dennis Chiu; two are non-executive Directors, namely, Mr. Derek Chiu and Mr. Desmond Chiu; and three are independent non-executive Directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan.*