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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)

CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF CATHAY MOTION PICTURE STUDIOS LIMITED

Financial Adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

The Board is pleased to announce that on 13 July 2012, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to the Purchaser at an aggregate Consideration of HK\$8,500,000.

Given that the family interests of Deacon Chiu, J.P., an executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of FEC International which in turn owns the entire issued share capital of the Purchaser, the Purchaser is an associate of Deacon Chiu, J.P. and accordingly a connected person of the Company. The Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 13 July 2012, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to the Purchaser at an aggregate Consideration of HK\$8,500,000.

The principal terms of the Disposal Agreement are as follows:

Date

13 July 2012

Parties

Purchaser: Far East Consortium Limited, a wholly-owned subsidiary of FEC International, being a connected person of the Company

Vendor: the Company

Assets to be disposed

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell and dispose of the Sale Shares, being the entire issued share capital of Cathay Motion, and assign the Debt to the Purchaser. Upon Completion, the Company will no longer be interested in the equity capital of Cathay Motion and Cathay Motion will cease to be a subsidiary of the Company.

Consideration

The aggregate Consideration shall be HK\$8,500,000, which consists of HK\$1 being the Sale Shares Consideration and HK\$8,499,999 being the Debt Consideration.

The Consideration was determined after arm's length negotiations between the parties to the Disposal Agreement by reference to: (i) the net liabilities position of Cathay Motion of approximately HK\$874,667 as at 31 December 2011; (ii) the market value of the Hong Kong Property of approximately HK\$8,500,000 as at 31 December 2011; and (iii) the amount owing by Cathay Motion to the Company of approximately HK\$9,339,430 as at 31 December 2011. The Consideration shall be payable upon Completion in cash.

Having considered the factors described in the paragraph headed "Reasons for the Disposal", the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal Agreement and the amount of the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon, among others, the fulfillment or waiver (as the case may be) of the following major conditions:

- (a) the compliance by the Company of all applicable requirements of the Listing Rules in relation to the Disposal Agreement and the transactions contemplated thereunder;
- (b) all licenses, permissions, authorizations, certificates, regulatory approvals and consents in relation to the Disposal contemplated herein under Listing Rules or any applicable laws, statutes, regulations and ordinances have been obtained by the parties to the Disposal Agreement; and
- (c) the representation, warranties and undertakings given by the Company as set out in the Disposal Agreement remain true and accurate in material aspects as of the date of signing of the Disposal Agreement and on the date of Completion.

If any of the conditions precedent has not been fulfilled (or waived) by the Long Stop Date, the Disposal Agreement shall automatically be terminated and shall cease to have any further force and effect.

Completion

Completion shall take place on the date which is the fifth business day immediately following the day on which all the conditions precedent being fulfilled or waived (as the case may be) or such other date as the parties to the Disposal Agreement may agree in writing on which the Completion shall occur.

Completion of the sale and disposal of the Sale Shares and the assignment of Debt shall take place simultaneously.

INFORMATION OF CATHAY MOTION

Cathay Motion is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Its only asset of significance is its interest in the Hong Kong Property. The Hong Kong Property comprises a plot of agricultural land which is the remaining portion of Lot No. 445 in Demarcation District No.360 and a 13.075% interest in Tsuen Wan Town Lot No. 389, Chuen Lung, Tsuen Wan, New Territories.

Set out below is the key financial information of Cathay Motion based on its audited financial statements for the two years ended 31 December 2010 and 2011 and its unaudited management accounts for the six months ended 30 June 2012:

	For the year ended 31 December 2010 (Audited) HK\$	For the year ended 31 December 2011 (Audited) HK\$	For the six months ended 30 June 2012 (Unaudited) HK\$
Loss/(Profit) before tax	13,533	20,398	(12,961)
Loss/(Profit) after tax	13,533	20,398	(12,961)
	As at 31 December 2010 (Audited) HK\$	As at 31 December 2011 (Audited) HK\$	As at 30 June 2012 (Unaudited) HK\$
Net liabilities	2,954,053	874,667	861,706

Based on the audited financial statement for the year ended 31 December 2011 and unaudited management accounts for the six months ended 30 June 2012 of Cathay Motion, Cathay Motion is indebted to the Company in the amount of HK\$9,339,430 and HK\$9,351,306 respectively.

Carrying value of the Hong Kong Property was HK\$8,492,600 according to the audited financial statements of Cathay Motion for the year ended 31 December 2011, and its market value as at 31 December 2011 was HK\$8,500,000 according to a valuation report dated 30 March 2012 prepared by an independent property valuer.

INFORMATION OF THE COMPANY

The principal business activities of the Company and its subsidiaries are securities investment, manufacturing and sale of garments, provision of aviation maintenance services and property investment.

INFORMATION ABOUT THE PURCHASER

The Purchaser is an investment holding company and a wholly-owned subsidiary of FEC International. The principal activities of FEC International and its subsidiaries are property development, hotel investment and operation, and car park investment and management and property investment.

REASONS FOR THE DISPOSAL

The Board considers that the Disposal is conducted in the ordinary and normal course of business of the Company and the Consideration is determined based on the net asset value of Cathay Motion after taking into effect the change in the fair value of the Hong

Kong Property to the market value of HK\$8,500,000. The Disposal will provide the Company with a positive cashflow and, subject to audit, the Disposal is expected to realise a before-tax gain of approximately HK\$10,400 for the Company. The Board intends to apply the proceeds in connection with the Disposal as general working capital of the Company.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, Cathay Motion will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group’s financial statements.

The Group expects to recognize a gain from the Disposal of approximately HK\$10,400, which is calculated on the basis of (i) unaudited net liabilities of Cathay Motion of HK\$861,706 as at 30 June 2012; (ii) the Consideration of HK\$8,500,000; and (iii) the amount of HK\$9,351,306 owing by Cathay Motion to the Company as at 30 June 2012 with reference to the unaudited management accounts of Cathay Motion for the six months ended 30 June 2012.

The Board (including the independent non-executive Directors) is of the view that the terms of the Disposal Agreement were concluded after arm’s length negotiations on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that the family interests of Te Ken Deacon Chiu J.P. (“Deacon Chiu, J.P.”), an executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of FEC International, which in turn owns the entire issued share capital of the Purchaser, the Purchaser is an associate of Deacon Chiu, J.P. and accordingly a connected person of the Company. The Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Deacon Chiu, J.P., Mr. Derek Chiu, and Mr. Desmond Chiu are considered to be interested in the Disposal Agreement and the transactions contemplated thereunder, and accordingly they have abstained from voting on the board resolutions to approve the Disposal Agreement and the transactions contemplated thereunder.

DEFINITION

- “associate(s)” has the same meaning ascribed to it under the Listing Rules
- “Board” the board of Directors

“business day(s)”	a day (other than a Saturday, a Sunday or public holidays) on which banks are generally open for business in Hong Kong
“Cathay Motion”	Cathay Motion Picture Studios Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement
“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 (Stock Code: 36)
“Completion”	the completion of the Disposal
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	being HK\$8,500,000, being the total of the Sale Shares Consideration and the Debt Consideration
“Debt”	HK\$9,351,306 being the amount due to the Company by Cathay Motion which shall consist of the principal sum and interest accrued, if any
“Debt Consideration”	the consideration for the assignment of Debt
“Director(s)”	the director(s) of the Company
“Disposal”	the sale and disposal of the Sale Shares and the assignment of Debt by the Company to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 13 July 2012 entered into between the Company and the Purchaser in relation to the Disposal
“FEC International”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 35)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Property”	the property comprising a plot of agricultural land which is remaining portion of Lot No. 445 in Demarcation District No. 360 and a 13.075% interest in Tsuen Wan Town Lot No. 389, Chuen Lung, Tsuen Wan, New Territories
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2012
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser”	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of FEC International
“Sale Shares”	30,000 ordinary shares of HK\$100 each in the share capital of Cathay Motion, representing the entire issued share capital of Cathay Motion
“Sale Shares Consideration”	the consideration for the Sale Shares
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the Share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

Hong Kong, 13 July 2012

As at the date of this announcement, the Board comprises eight Directors, of which four are executive Directors, namely Deacon Te Ken Chiu, J.P., Mr. Derek Chiu, Mr. Richard Yen and Mr. Ip Ngai Sang; one is non-executive Director, namely Mr. Desmond Chiu; and three are independent non-executive Directors, namely Dr. Lam Lee G, Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.