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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)

VERY SUBSTANTIAL ACQUISITION

On 3 January 2019 (after trading hours), the Purchaser, the Vendor and the Vendor Controller entered into the Agreement in relation to the sale and purchase of 51% of the entire issued share capital in a company which is holding a commercial property in Central, Hong Kong.

Given that certain of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 3 January 2019 (after trading hours), the Purchaser, the Vendor and the Vendor Controller entered into the Agreement. A summary of the principal terms of the Agreement is set out below.

Subject matter

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares represent 51% of the entire issued share capital of the Target.

Consideration

The consideration for the Acquisition is HK\$549,915,000, subject to adjustment.

The consideration will be settled as follows:

- (i) HK\$40,800,000 shall be paid to the Vendor within 5 Business Days from the date of the Agreement (the “**Deposit**”); and

- (ii) the balance of the consideration (subject to adjustment) by cash and/or the issue of the Promissory Note (at the option of the Purchaser) at Completion.

Adjustment

Prior to the Completion Date, the Vendor shall prepare a balance sheet of the Target as at the last day of the calendar month prior to the Completion Date. The consideration will be adjusted in the following manner:

$$\text{Adjustment amount} = 51\% \times \left(\begin{array}{l} \text{Net asset value as set} \\ \text{out in the unaudited} \\ \text{balance sheet of} \\ \text{the Target as at} \\ \text{30 November 2018} \end{array} - \begin{array}{l} \text{Net asset value as set} \\ \text{out in the unaudited} \\ \text{balance sheet of the} \\ \text{Target as at the last} \\ \text{day of the calendar} \\ \text{month prior to the} \\ \text{Completion Date} \end{array} \right)$$

The adjustment may be positive or negative, leading to an increase or decrease of the consideration for the Acquisition, respectively. Given the stable nature of the Target's business and the relatively short time between the date of the Agreement and the Completion Date, it is expected that except for the rental income and expenses in the ordinary course of business, there would be no material change to the final consideration.

Basis of the consideration

The consideration was determined after arm's length negotiations between the parties with reference to (i) the preliminary valuation of the Property of HK\$1,600 million carried out by an independent valuer; (ii) the rental yield of the Property; and (iii) the rental yields of comparable commercial properties similar to the Property.

Conditions precedent

Completion is subject to the fulfillment (or, if applicable, the waiver) of the following conditions:

- (a) there being no material damage to the Property from the date of the Agreement up to Completion;
- (b) there being no breach of any warranties made by the Vendor as set out in the Agreement in any material respect;
- (c) there being no applicable laws or regulations having been passed after the date of the Agreement which would make it impracticable or illegal for the Purchaser to complete the transactions contemplated by the Agreement;
- (d) the Purchaser having been satisfied with the results of its due diligence on the Target (including the Property);

- (e) all necessary consents and approvals of, notices to and filings or registrations with any relevant authority or any other person required pursuant to any applicable law, or pursuant to any contract binding on the Target or whereby their respective assets are subject or bound, to effect the execution, delivery or performance by the Target of the Agreement and to consummate the transactions contemplated hereby or thereby shall have been obtained;
- (f) each of the Target and the Vendor shall have performed and complied in all respects with all material obligations contained in the Agreement that are required to be performed or complied with by it on or before Completion;
- (g) the Target having completed a dividend distribution out of the retained profits of the Target to the Vendor to set-off a loan due from the Vendor to the Target (the outstanding amount being approximately HK\$221.7 million as at 30 November 2018);
- (h) any guarantee for the Existing Loan not having been discharged or released;
- (i) there being no change on the Target which has a material and adverse effect on its financial position, business or prospects or results of operations up to Completion;
- (j) the Target having completed an increase in its issued share capital from 1 ordinary share to 100 ordinary shares;
- (k) the Shareholders having approved the entering into the Agreement and the transactions contemplated thereunder in accordance with the requirement of the Listing Rules; and
- (l) the Acquisition not being deemed, in the opinion of the Stock Exchange, to constitute a reverse takeover under the Listing Rules.

The conditions may be waived by the Purchaser in its absolute discretion except that conditions (c), (e) and (k) cannot be waived.

Completion will take place on the Completion Date. If the conditions (d), (e), (g), (h), (j) and (k) are not satisfied (or, as the case may be, waived) by the Long Stop Date, any party to the Agreement may terminate the Agreement and upon termination, the Deposit will be returned to the Purchaser without interest and the Agreement shall cease to be of any effect save in respect of claims arising out of antecedent breaches.

Undertaking

Between the date of the Agreement and Completion, the Vendor Controller and the Vendor shall procure that the Target shall not take any action that may result in the discharge or release of any guarantee for the Existing Loan.

The Promissory Note

The followings are the principal terms of the Promissory Note.

Issuer	:	the Company
Noteholder	:	the Vendor
Principal amount	:	the total consideration (subject to adjustment) less cash consideration (including the Deposit)
Maturity date	:	the third anniversary from the issue date
Interest	:	5% per annum, payable quarterly from the date of issue
Transferability	:	freely transferable upon notification in writing to the Company
Redemption by the Company	:	any time from the issue date to the maturity date

INFORMATION ON THE TARGET

The Target is principally engaged in investment in and holding of the Property. As at the date of the Agreement, the Target is wholly owned by the Vendor, which in turn is directly wholly owned by the Vendor Controller.

The principal asset of the Target is the Property, which comprises the commercial podium (shop) on lower ground floor, upper ground floor, first floor, second floor, third floor, offices and flat roof on fourth floor, and the remaining portions of the external walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong. The Property is currently being rented out to tenants. To the best of the Directors' knowledge, having made all reasonable enquiries, the tenants of the Property are third parties independent of the Company and the connected persons of the Company.

The audited financial information of the Target for the two years ended 31 March 2017 and 2018; and the unaudited financial information for the eight months ended 30 November 2018 is as follows:

	Year ended 31 March		For the eight months ended
	2017	2018	30 November 2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	48,377	38,077	29,259
Profit before taxation	45,058	28,144	23,511
Profit after taxation	37,944	22,845	21,728
Total asset value	567,162	570,674	570,035
Net asset value	212,524	235,368	263,033

Upon Completion, the Target will become a subsidiary of the Company and the results, assets and liabilities of the Target will be consolidated into the accounts of the Group.

The dividend payment to set off the loan due from the Vendor prior to Completion will not affect the net asset value of the Target upon Completion as the distribution will be paid out of the retained profits of the Target, which is not an item under the total assets of the Target under the management accounts.

INFORMATION ON THE PARTIES

(i) The Vendor

The Vendor is principally engaged in the investment holding company. It is directly and wholly-owned by the Vendor Controller.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Vendor Controller is independent of the Company and the connected persons of the Company.

(ii) The Purchaser and the Group

The Purchaser is a directly wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Group is principally engaged in manufacturing and sales of garment products, property investment and securities investment.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and sales of garment products, property investment and securities investment.

The Group has taken manufacturing and sales of garments products and property investment as the core principal business of the Group in recent decades. In 2014, the Group has taken a more active and opportunistic approach in gaining short term investment profits and has developed the securities investment as one of its principal business activities. In recent years, the Group has recorded successive decrease in revenue derived from its garments products and having taken into account the expected increase in local interest rates, depreciation in the Chinese yuan and concerns over the economic outlook in Hong Kong, the Board is not optimistic about the future equity securities markets in Hong Kong and the garments industry in the People's Republic of China.

In view of the above, the Group has reviewed its internal resources and been actively looking for suitable property investment opportunities. The Board is convinced that the Acquisition can not only broaden the Group's property investment portfolio, but also enhance and generate stable income stream to the Group. Having considered the consideration is made with reference to the market transactions in the vicinity with similar commercial properties, subject to the satisfaction of the conditions precedent to the

Agreement including but not limited to the due diligence review of the Target, the Board considers that the terms of the Agreement are fair and reasonable and the Acquisition is in the interest of the Company and its Shareholders as a whole.

Having considered the above, the Board is of the view that the terms of the Agreement (including the consideration), which have been reached after arm's length negotiations among the parties, are normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that certain of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The GM will be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder.

The Circular will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Under Rule 14.60(7) of the Listing Rules, the Company is required to despatch the circular in relation to a very substantial acquisition within 15 business days after the publication of this announcement. The Company expects that additional time will be required to prepare the information to be included in the Circular and expects that the Circular will be despatched on or before 28 February 2019.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings as set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser
“Agreement”	the agreement dated 3 January 2019 entered into among the Company, the Vendor and the Vendor Controller in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day(s)”	a day (not being a Saturday or Sunday) when banks generally are open in Hong Kong for the transaction of general banking business

“Circular”	the circular of the Company to be despatched to the Shareholders in relation to the Acquisition
“Company”	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the 15th Business Day upon satisfaction or waiver (if capable of being waived) of conditions as set out in the section headed “Conditions precedent” of this announcement or such other date as agreed between the parties to the Agreement may agree in writing
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposit”	has the meaning as defined in the section headed “Consideration” of this announcement
“Director(s)”	director(s) of the Company
“Existing Loan”	the loan facility of up to approximately HK\$513 million granted pursuant to a facility agreement dated 18 November 2009 and a supplemental to facility agreement dated 12 October 2018 entered into between, among others, the Target as borrower and a bank as lender and the Vendor Controller as the guarantor
“GM”	the general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2019, or such later date as may be agreed among the parties to the Agreement in writing

“Promissory Note”	the 5% coupon promissory note to be issued by the Company in favour of the Vendor as part settlement of the consideration to the Acquisition, the principal terms of which are set out in the section headed “Promissory Note” of this announcement
“Property”	the commercial podium (shop) on lower ground floor, upper ground floor, first floor, second floor, third floor, offices and flat roof on fourth floor, and the remaining portions of the external walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong
“Purchaser”	Joy Wide Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	shares of the Target, representing 51% of the issued share capital of the Target
“Shareholder(s)”	holders of Shares
“Share(s)”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Joy Ease Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor”	Class Success Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor Controller”	an individual who is the ultimate beneficial owner of the entire issued share capital of the Vendor
“%”	per cent.

By Order of the Board
Far East Holdings International Limited
Dr. Wong Yun Kuen
Chairman

Hong Kong, 3 January 2019

As at the date of this announcement, the Board comprises five Directors, of which two are executive Directors, namely, Dr. Wong Yun Kuen (Chairman), Mr. Sheung Kwong Cho; and three are independent non-executive Directors, namely, Ms. Kwan Shan, Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.