THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Far East Holdings International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

FEH

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 AND NOTICE OF GENERAL MEETING

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the GM to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 13 March 2019 at 11:00 a.m. is set out on pages GM-1 to GM-2 of this circular. Whether or not you are able to attend the GM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the GM or any adjournment thereof should you so wish.

26 February 2019

CONTENTS

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates 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"	this circular of the Company 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 the letter from the Board 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 the letter from the Board
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group including the Target upon Completion
"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
"HIBOR"	Hong Kong Inter-bank Offered Rate
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	22 February 2019 being the latest practicable date for ascertaining certain information contained in this circular
"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 the letter from the Board
"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
"Share(s)"	ordinary shares of the Company
"Shareholder(s)"	holders of Shares
"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.

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)

Executive Directors:
Dr. Wong Yun Kuen *(Chairman)*
Mr. Sheung Kwong Cho

Independent Non-executive Directors:
Ms. Kwan Shan
Mr. Wong Kui Shing, Danny
Mr. Mak Ka Wing, Patrick

Registered Office:
Unit 902, 299 QRC
287–299 Queen's Road Central
Sheung Wan
Hong Kong

26 February 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 3 January 2019 in relation to the Acquisition.

The purpose of this circular is to provide you with (i) further details of the Acquisition; (ii) the financial information of the Target; (iii) valuation report of the Property; and (iv) a notice of GM.

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) (the "**Balance**") by cash and/or the issue of the Promissory Note (at the option of the Purchaser) at Completion.

As at the Latest Practicable Date, the Purchaser intends to settle the Balance via cash and/or the issue of the Promissory Note. The actual proportion will be determined at the time when the conditions are satisfied (or waived, if applicable) taking into account the then market conditions (including the interest rates and the general market sentiment) and the capital structure of the Group.

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:

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

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, which was approximately 2.5% to 2.7% for properties located in the vicinity and approximately 2.4% to 2.6% as obtained from the Rating and Valuation Department for the third quarter 2018.

The following table sets out the calculation of the consideration:

	As at 31 December 2018 *HK$'000*	
Preliminary valuation of the Property	**1,600,000**	
Less:		
Existing Loan	(513,190)	*
Rental deposits received and accruals	(15,523)	*
Add:		
Deposits paid and other receivables	501	*
Cash and bank balances	6,477	*
Adjusted consideration	**1,078,265**	**A**
Equity interests acquired	**51%**	**B**
Consideration	**549,915**	**C=A×B**

* *Represents the net asset value of the Target to be adjusted prior to Completion.*

For the three years ended 31 March 2018, the annual rental yields of the Property are set out below:

Year ended 31 March	Annual rental *HK$'000*	Fair value of the property *HK$'000*	Rental *(%)*
2018	38,076	1,560,000	2.4
2017	48,376	1,450,000	3.3
2016	46,095	1,380,000	3.3

As at the Latest Practicable Date, there are three existing leases in relation to the Property, details of which are set out below:

Location	Term of lease	Annual rental *HK$'000*
Signage spaces	20/8/2018 to 19/8/2019	297
Lower and upper ground floor, 1st floor and 2nd floor	1/1/2018 to 31/12/2021	37,200
3rd floor, 4th floor and 4th floor roof top	20/8/2015 to 19/8/2019	11,040
	Total	**48,537**

The Board took into account the comparable properties when determining the consideration. The Board considers that the comparables are fair and representative examples as (i) the comparables are of similar grade commercial properties to the Property; (ii) the transaction dates of the leases are of proximity to the Latest Practicable Date; and (iii) the terms of the leases are of similar length to the existing leases of 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.

As at the Latest Practicable Date, save for conditions (g) and (l), none of the conditions have been satisfied.

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

As at the Latest Practicable Date, the Purchaser does not intend to waive any of the conditions precedent.

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.

As at the Latest Practicable Date, the Target is managed by an independent professional property management company and the Target derives all its revenue from rental income under the existing leases of the Property.

The Target refinanced its mortgage loan in October 2018, based on the information provided by the Vendor, given that the existing mortgage loan would become due in 2019.

As a result of the refinancing, the effective interest rate of the loan increased from HIBOR+0.95% to HIBOR+1.6%, based on the information provided by the Vendor, such increase was arrived at after arm's length negotiation with the lending bank.

As at 30 November 2018, the Target has an amount due from the Vendor of approximately HK$221.7 million as a result of cash advance made to the Vendor upon the completion of refinancing of its mortgage loan. In December 2018, the Target completed a dividend distribution out of the retained profits of the Target to the Vendor to set-off the amount due from the Vendor of approximately HK$221.7 million. As at 31 December 2018, the net asset value of the Target was approximately HK$1,078.8 million, representing a decrease of approximately HK$159.5 million as compared to the net asset value of the Target as at 31 March 2018 due to the dividend distribution of HK$221.7 million, offset by the profit and other comprehensive income of approximately HK$62.2 million for the nine months ended 31 December 2018.

Notwithstanding that the dividend distribution to set-off the amount due from the Vendor in December 2018 leading to a decrease in net asset value of the Target as at 31 December 2018, such decrease will not have any impact for the purpose of calculating the consideration and the net asset value to be adjusted prior to Completion under the Agreement which is also illustrated in the table under the section "Basis of the consideration" of this circular.

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 financial information of the Target as extracted from Appendix II for the three years ended 31 March 2016, 2017 and 2018 and nine months ended 31 December 2018 are as follows:

	Year ended 31 March			For the nine months ended 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	46,095	48,376	38,076	33,303
Profit/(loss) before taxation	(27,588)	115,057	144,116	66,027
Profit/(loss) after taxation	(34,266)	107,943	138,817	62,198
Total asset value	1,393,535	1,454,107	1,573,590	1,609,547
Net asset value	991,524	1,099,467	1,238,284	1,078,771

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.

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 its history, for over 15 years, property investment has been one of the principal lines of businesses of the Group and such business segment has been consistently and continuously been reported in its annual reports. The management of the Company has given due regards to this segment for the facts that rental income from investment properties enhances the Group's cash flows while the Company can capture the valuation gain from the properties which may surpass the economic inflation. 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.

As repetitively stated in its 2016 and 2017 annual reports, the Company would seek to identify further property investment opportunities in order to enhance and generate stable income stream of the Group. Its management is of the view that the properties in the central business district of Hong Kong can have a sustainable value in the long run. Accordingly, the Company has been searching for properties in good location and with reasonable rental yield, through properties agents and its management's connections, since 2015.

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.

As at the Latest Practicable Date, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, no Shareholder had a material interest in the Agreement who will be required to abstain from voting at the GM.

Shareholders with a material interest in the Acquisition shall not vote on the resolution to be proposed at the GM. Voting at the GM will be conducted by way of a poll.

FINANCIAL EFFECTS OF THE ACQUISITION

Effect on assets and liabilities

1. Assets and liabilities

Set out in Appendix III to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition assuming Completion has taken place on 30 June 2018. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase from approximately HK$871 million to approximately HK$2,464 million and its total liabilities would increase from approximately HK$4 million to approximately HK$1,069 million.

2. Earnings

According to the accountants' report on the Target Group as set out in Appendix II to this circular, the Target recorded profit and other comprehension income of approximately HK$108 million for the period from 1 April 2017 to 31 December 2017. The Acquisition would lead to an increase in the Group's earnings if the Acquisition were completed on 1 January 2017.

PROPERTY VALUATION

The full text of the valuation report of the Property is set out in Appendix V to this circular.

GM & CLOSURE OF REGISTER OF MEMBERS

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

A notice convening the GM to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 13 March 2019 at 11:00 a.m., is set out on pages GM-1 to GM-2 of this circular.

A form of proxy for the GM is enclosed with this circular. Whether or not you are able to attend the GM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the GM or any adjournment thereof, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting at the GM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The register of members of the Company will be closed from 8 March 2019 to 13 March 2019, both dates inclusive, for the purpose of determining Shareholders' entitlements to attend the GM. During such period, no transfer of Shares will be registered.

All transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong for registration not later than 4:30 p.m. on 7 March 2019 in order to establish the identity of the Shareholders who are entitled to attend and vote at the GM.

RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the Acquisition is conducted in the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the GM to approve the Acquisition and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017

Financial information of the Group for the three years ended 31 December 2015, 2016 and 2017 are disclosed on pages 26 to 83 of the annual report of the Company for the year ended 31 December 2015, pages 34 to 90 of the annual report of the Company for the year ended 31 December 2016 and pages 42 to 94 of the annual report of the Company for the year ended 31 December 2017, and financial information of the Group for the six months ended 30 June 2018 together with the notes are disclosed in pages 17 to 36 of the 2018 interim report, respectively. All of which are published on the website of the Stock exchange at http://www.hkexnews.hk, and the website of the Company at http://www.0036.com.hk. Quick links to the annual reports of the Company are set out below:

annual report of the Company for the year ended 31 December 2015:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427865.pdf

annual report of the Company for the year ended 31 December 2016:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0327/LTN20170327430.pdf

annual report of the Company for the year ended 31 December 2017:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0404/LTN201804041650.pdf

interim report of the Company for the six months ended 30 June 2018:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0906/LTN20180906307.pdf

2. STATEMENT OF INDEBTEDNESS

Mortgage loan

As at the close of business on 31 December 2018, being the latest practicable date for the purpose of the indebtedness statement, the Target had outstanding mortgage loan amounted to approximately HK$513,190,000, which bearing an interest rate of 1 month HIBOR plus 1.6% per annum. Investment properties held by the Target with fair value of approximately HK$1,600,000,000 have been pledged for this mortgage loan.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and taking into account the effect of the Acquisition, the internal resources and generated funds of the Enlarged Group, the presently available banking facilities are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

The Directors are not aware of any other factors that would have a material impact on the Enlarged Group's liquidity.

4. MATERIAL ADVERSE CHANGE

On 12 July 2018, the Company announced that the Group is expected to record an unaudited loss attributable to the Shareholders for the six months ended 30 June 2018 (the "Period"). The expected loss for the Period is mainly attributable to fair value loss on held-for-trading investments of approximately HK$32 million (six months ended 30 June 2017: HK$58 million).

On 7 January 2019, the Company announced that the Group expects to record a loss attributable to shareholders of the Company for the year ended 31 December 2018 as compared to a profit attributable to shareholders of the Company for the year ended 31 December 2017. The expected loss is mainly attributable to fair value loss on held-for-trading investments of approximately HK$127 million (2017: fair value gain of approximately HK$53 million).

Except as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL PROSPECTS OF THE ENLARGED GROUP

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

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.

The Board considered 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, the Board considers 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.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2218 8288
Telefax: (852) 2815 2239

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of Joy Ease Limited (the ''Target Company'') set out on pages II-4 to II-25, which comprises the statements of financial position as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the ''Track Record Period'') and a summary of significant accounting policies and other explanatory information (together the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Far East Holdings International Limited (the ''Company'') dated 26 February 2019 (the ''Circular'') in connection with the proposed acquisition of the 51% equity shares of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 31 December 2017 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 26 February 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The underlying financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Hong Kong Dollar (''HKD'') and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
		2016	**2017**	**2018**	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*7*	46,095	48,376	38,076	35,524	33,303
Other income and gains/(losses)	*7*	(70,000)	70,001	110,001	80,000	40,001
Administrative expenses		(450)	(82)	(419)	(395)	(1,959)
Finance costs	*8*	(3,233)	(3,238)	(3,542)	(2,506)	(5,318)
(Loss)/profit before income tax	*9*	(27,588)	115,057	144,116	112,623	66,027
Income tax expense	*11*	(6,678)	(7,114)	(5,299)	(5,083)	(3,829)
(Loss)/profit and other comprehensive income/(loss) for the year/period		(34,266)	107,943	138,817	107,540	62,198

STATEMENTS OF FINANCIAL POSITION

			At 31 March		At 31 December
		2016	2017	2018	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	*13*	1,380,000	1,450,000	1,560,000	1,600,000
Current assets					
Deposits	*14*	501	501	501	501
Tax recoverables		—	—	52	52
Cash and cash equivalents	*15*	13,034	3,606	13,037	8,994
		13,535	4,107	13,590	9,547
Current liabilities					
Other payables	*16*	9,092	5,338	18,781	15,540
Bank borrowings	*17*	260,295	239,610	218,924	513,190
Amount due to a shareholder	*18*	130,601	107,601	97,601	—
Tax payables		2,023	2,091	—	2,046
		402,011	354,640	335,306	530,776
Net current liabilities		388,476	350,533	321,716	521,229
Net assets		991,524	1,099,467	1,238,284	1,078,771
Equity					
Share capital	*19*	*	*	*	*
Retained earnings		991,524	1,099,467	1,238,284	1,078,771
Total equity		991,524	1,099,467	1,238,284	1,078,771

* The Target Company was incorporated in the British Virgin Islands with registered and paid-up capital of HK$8, which is less than HK$1,000.

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2015	*	1,025,790	1,025,790
Loss and other comprehensive loss for the year	—	(34,266)	(34,266)
At 31 March 2016 and 1 April 2016	*	991,524	991,524
Profit and other comprehensive income for the year	—	107,943	107,943
At 31 March 2017 and 1 April 2017	*	1,099,467	1,099,467
Profit and other comprehensive income for the year	—	138,817	138,817
At 31 March 2018 and 1 April 2018	*	1,238,284	1,238,284
Profit and other comprehensive income for the period	—	62,198	62,198
Interim dividend paid *(note 12)*	—	(221,711)	(221,711)
At 31 December 2018	—	1,078,771	1,078,771
At 1 April 2017	*	1,099,467	1,009,467
Profit and other comprehensive income for the period	—	107,540	107,540
At 31 December 2017 (Unaudited)	*	1,207,007	1,207,007

* The Target Company was incorporated in the British Virgin Islands with registered and paid-up capital of HK$8, which is less than HK$1,000.

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Nine months ended 31 December	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	(27,588)	115,057	144,116	112,623	66,027
Adjustments for:					
Interest income	—	(1)	(1)	—	(1)
Finance costs	3,233	3,238	3,542	2,506	5,318
Fair value loss/(gain) on investment properties	70,000	(70,000)	(110,000)	(80,000)	(40,000)
Operating cash flows before movements in working capital	45,645	48,294	37,657	35,129	31,344
Increase/(decrease) other payables	1,217	(3,754)	13,443	13,274	(3,241)
Cash generated from operations	46,862	44,540	51,100	48,403	28,103
Income tax paid	(4,675)	(7,046)	(7,442)	(1,663)	(1,783)
NET CASH GENERATED FROM OPERATING ACTIVITIES	42,187	37,494	43,658	46,740	26,320
NET CASH GENERATED FROM INVESTING ACTIVITIES					
Interest received	—	1	1	—	1
FINANCING ACTIVITIES					
Repayments of bank borrowings	(18,100)	(20,685)	(20,686)	(15,515)	(10,343)
Proceeds of bank borrowings	—	—	—	—	304,609
Repayments to a shareholder	(11,400)	(23,000)	(10,000)	(10,000)	(97,601)
Interest paid on bank borrowings	(3,233)	(3,238)	(3,542)	(2,506)	(5,318)
Dividend paid	—	—	—	—	(221,711)
NET CASH USED IN FINANCING ACTIVITIES	(32,733)	(46,923)	(34,228)	(28,021)	(30,364)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,454	(9,428)	9,431	18,719	(4,043)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	3,580	13,034	3,606	3,606	13,037
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY CASH AND BANK BALANCES	13,034	3,606	13,037	22,325	8,994

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. GENERAL INFORMATION

The Target Company is a company limited by shares incorporated in the British Virgin Islands and its correspondence address is Suite 2801, 28th Floor, One International Finance Centre, No.1, Harbour View Street, Central, Hong Kong. The principal activity of the Target Company is property investment in Hong Kong. The immediate holding company and ultimate holding company of the Target Company is Class Success Limited.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared based on the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standard ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. All HKFRS effective for the accounting period commencing from I April 2018 together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Track Record Period and in the period covered by the Stub Period Comparative Historical Financial Information. The accounting policies adopted by the Target Company is materially consistent with those of the Company.

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost convention, except for investment properties which have been measured at fair value.

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in HK$, which is also the functional currency of the Target Company.

3. NEW/REVISED HKFRSS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs, potentially relevant to the Target Company's financial statements, have been issued, but are not yet effective and have not been early adopted by the Target Company in the preparation of the financial statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Cost[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendment clarifies that the income tax consequences (if any) of dividends as defined in HKFRS 9 (ie distributions of profits to holders of equity instruments in proportion to their holdings) must be recognised:

- at the same time as the liability to pay those dividends is recognised; and
- in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendment clarifies that once a qualifying asset funded through specific borrowings becomes ready for its intended use or sale (such that borrowing costs incurred on the specific borrowings can no longer be capitalised as part of the cost of that qualifying asset), those borrowings then become part of the pool of general borrowings.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

The directors of the Target Company anticipate that the application of all these new/revised HKFRSs will have no material impact on the Historical Financial Information to the Target Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value, with any change therein recognised in profit or loss.

4.2 Financial assets

The Target Company classifies its financial assets as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Target Company measures a financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets not reclassified subsequent to their initial recognition, except if and in the period the Target Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

— The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

— The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment loss on financial assets

The Target Company assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instrument assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Company's experience and informed credit assessment and including forward-looking information.

Definition of default

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Credit-impaired financial assets

At each reporting date, the Target Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or past due event;

— the restructuring of a loan or advance by the Target Company on terms that the Target Company not consider otherwise;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties.

Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Company expects to receive); and

— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

4.3 Financial liabilities and equity instruments

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Recognition and measurement

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including other payables, bank borrowings and amount due to a shareholder, are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Company issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

4.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lease. All other leases are classified as operating leases.

The Target Company as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

4.6 Revenue recognition

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

4.7 Income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 Provisions and contingent liabilities

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Company are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.10 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.11 Related parties

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Company makes estimates and assumptions concerning the future.

Fair value measurement of investment properties

The Target Company's investment properties require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Company's investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

6. SEGMENT INFORMATION

For management purposes, the Target Company has only one reportable operating segment which is property investment. Since this is the only reportable operating segment of the Target Company and all located at Hong Kong region, no further operating segment analysis thereof is presented.

Information about customers that exceeded 10% of the Target Company's revenue

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	36,300	37,950	27,650	27,650	—
Customer B	9,506	9,516	10,129	7,651	8,280
Customer C	—	—	—	—	24,800

7. REVENUE AND OTHER INCOME AND GAINS/(LOSSES)

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue					
Rental income derived from investment properties	46,095	48,376	38,076	35,524	33,303
Other income and gains/(losses)					
Interests on bank deposit	—	1	1	—	1
Fair value (loss)/gain on investment properties	(70,000)	70,000	110,000	80,000	40,000
	(70,000)	70,001	110,001	80,000	40,001

8. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on bank borrowings	3,233	3,238	3,542	2,506	5,318
Effective interest rate ranged from	HIBOR + Margin 0.95%	HIBOR + Margin 0.95%	HIBOR + Margin 0.95%	HIBOR + Margin 0.95%	HIBOR + Margin 1.6%

9. (LOSS)/PROFIT BEFORE INCOME TAX

The Target Company's (loss)/profit before income tax is arrived at after charging:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Auditors' remuneration	11	12	30	—	30

10. DIRECTORS' REMUNERATION

None of the directors receive or will receive any fees or remuneration in respect of their services to the Target Company during the Track Record Period.

No transactions, arrangements or contracts of significance in related to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest whether directly or indirectly, were entered into or subsisted during the financial year.

11. INCOME TAX EXPENSE

	Year ended 31 March			Nine months ended 31 December	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax					
— Hong Kong Profits Tax	6,678	7,114	5,299	5,083	3,829

Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 March			Nine months ended 31 December	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before income tax	(27,588)	115,057	144,116	112,623	66,027
Tax at the applicable rate of 16.5%	(4,552)	18,984	23,779	18,583	10,894
Deductible temporary difference	(300)	(300)	(300)	(300)	(300)
Tax effect of income not taxable	11,550	(11,550)	(18,150)	(13,200)	(6,600)
Effect of change in tax rate	—	—	—	—	(165)
Others	(20)	(20)	(30)	—	—
Income tax expense	6,678	7,114	5,299	5,083	3,829

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the nine months ended 31 December 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. For the years ended 31 March 2016, 2017, 2018 and nine months ended 31 December 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

12. DIVIDENDS

During the nine months ended 31 December 2018, an interim dividend of HK$221,711,000 have been declared and paid by the Target Company to its equity shareholder.

The rates of dividend and number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

13. INVESTMENT PROPERTIES

	At 31 March			At 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value at the beginning of the year/period	1,450,000	1,380,000	1,450,000	1,560,000
Fair value (loss)/gain recognised in profit and loss	(70,000)	70,000	110,000	40,000
Fair value at the end of the year/period	1,380,000	1,450,000	1,560,000	1,600,000

The Target Company's investment properties consist of one commercial property located at Hong Kong. The directors of the Target Company have determined that the investment properties consist of one type of property, i.e. commercial property. Based on the nature, characteristics and risks of the property, the Target Company's investment properties were revalued individually during the Track Record Period and the valuations were performed by Roma Appraisals Limited, an independent professionally qualified valuers. The Target Company's management appointed the external valuer in consideration of their market knowledge, reputation, independence and relevant professional standards.

The valuation technique is direct comparison method based on market observable transaction of similar properties and adjusted to reflect the conditions and locations of the subject properties. There are no change to the valuation technique during the Track Record Period.

The fair values of investment properties are a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances is provided above.

There were no transfers into or out of Level 3 during the Track Record Period.

The fair values were determined based on the market approach. The market approach uses prices and other relevant information generated by market transactions involving comparable properties.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties is the sales prices of properties nearby the Target Company's investment properties as follows:

	At 31 March			At 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$/sq.ft. (lowest)	23	26	28	31
HK$/sq.ft. (highest)	115	119	127	130

An increase in the sales prices would result in an increase in fair value measurement of the investment properties, and vice versa.

The investment properties were leased under operating leases to independent third parties during the Track Record Period.

The investment property of the Target Company together with another property held by Joyful Wright Limited ("Joyful Wright") are pledged to jointly secure the bank loans of the Target Company at the amount of HK$260,295,000, HK$239,610,000 HK$218,924,000 and HK$513,190,000 as at 31 March 2016, 2017, 2018 and 31 December 2018 respectively and the bank loans of Joyful Wright at the amount of HK$276,833,000, HK$254,833,000, HK$232,833,000 and HK$466,810,000 as at 31 March 2016, 2017, 2018 and 31 December 2018 respectively. The Target Company and Joyful Wright have the common ultimate shareholder.

14. DEPOSITS

	At 31 March 2016	2017	2018	At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sundry deposits	501	501	501	501

15. CASH AND CASH EQUIVALENTS

	At 31 March 2016	2017	2018	At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	13,034	3,606	13,037	8,994

16. OTHER PAYABLES

	At 31 March 2016	2017	2018	At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tenants' deposits	5,215	5,215	15,383	15,383
Accrued expenses	3,877	123	3,398	157
	9,092	5,338	18,781	15,540

17. BANK BORROWINGS

Total current and non-current bank borrowings were scheduled to repay as follows:

	At 31 March 2016	2017	2018	At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank borrowings due for repayment within one year(i)	20,686	20,686	20,686	20,528
Bank borrowings due for repayment after one year which contain a repayment on demand clause (i) & (ii)	239,609	218,924	198,238	492,662
	260,295	239,610	218,924	513,190

(i) The bank borrowings are secured by the Target Company's investment properties (note 13).

(ii) The current liabilities include bank borrowings of HK$239,609,000, HK$218,924,000, HK$198,238,000 and HK$492,662,000, as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018 respectively that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

At the end of each of the reporting period, bank borrowings were scheduled to repay as follows:

		At 31 March		At 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	20,686	20,686	20,686	20,528
More than one year, but not exceeding two years	20,686	20,686	198,238	20,528
More than two years, but not exceeding five years	218,923	198,238	—	61,582
After five years	—	—	—	410,552
	260,295	239,610	218,924	513,190

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Target Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Target Company was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Target Company's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Target Company has complied with the covenants and met the scheduled repayment obligations.

The Target Company regularly monitors its compliance with these covenants, the scheduled repayments of the term loans is up to date and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Target Company continues to meet these requirements. Further details of the Target Company's management of liquidity risk are set out in note 21. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

18. AMOUNT DUE TO A SHAREHOLDER

The balance is unsecured, interest free and repayable on demand. The amount was fully settled during the nine months ended 31 December 2018.

19. SHARE CAPITAL

		At 31 March		At 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital	*	*	*	*

* The Target Company was incorporated in the British Virgin Islands with registered and paid-up capital of HK$8, which is less than HK$1,000.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	At 31 March			At 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost				
Deposit	501	501	501	501
Cash and cash equivalents	13,034	3,606	13,037	8,994
	13,535	4,107	13,538	9,495
Financial liabilities at amortised cost				
Other payables	9,092	5,338	18,781	15,540
Bank borrowings	260,295	239,610	218,924	513,190
Amount due to a shareholder	130,601	107,601	97,601	—
	399,988	352,549	335,306	528,730

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Target Company. The Target Company's financial risk management objectives and policies are as follows:

(i) Interest rate risk

The Target Company's interest rate risk arises primarily from bank balances and bank borrowings. The Target Company's exposure to the risk of changes in market interest rate relates primarily to the Target Company's bank balance and borrowing with a floating interest rate.

At 31 March 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Target Company's loss for the year and retained earnings by approximately HK$2,173,000.

At 31 March 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Target Company's profit for the year and retained earnings by approximately HK$2,001,000 and HK$1,828,000 respectively.

At 31 December 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Target Company's profit for the year and retained earnings by approximately HK$1,871,000 and HK$4,285,000 respectively.

(ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Company is exposed to credit risk arising from the sundry deposits and cash and cash equivalents. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitoring the repayment of the recoverable.

(iii) Liquidity risk

The Target Company ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Target Company is expected to have adequate source of funding to manage its liquidity and financial position.

	Carrying amount	Total contracted undiscounted cash flow	On demand	Within 1 year	Within 2 to 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016					
Other payables	9,092	9,092	9,092	—	—
Bank borrowings	260,295	270,679	—	23,744	246,935
Amount due to a shareholder	130,601	130,601	130,601	—	—
	399,988	410,372	139,693	23,744	246,935

	Carrying amount	Total contracted undiscounted cash flow	On demand	Within 1 year	Within 2 to 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2017					
Other payables	5,338	5,338	5,338	—	—
Bank borrowings	239,610	248,095	—	24,031	224,064
Amount due to a shareholder	107,601	107,601	107,601	—	—
	352,549	361,034	112,939	24,031	224,064

	Carrying amount	Total contracted undiscounted cash flow	On demand	Within 1 year	Within 2 to 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018					
Other payables	18,781	18,781	18,781	—	—
Bank borrowings	218,924	226,263	—	24,538	201,725
Amount due to a shareholder	97,601	97,601	97,601	—	—
	335,306	342,645	116,382	24,538	201,725

	Carrying amount	Total contracted undiscounted cash flow	On demand	Within 1 year	Within 2 to 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Other payables	15,540	15,540	15,540	—	—	—
Bank borrowings	513,190	640,342	—	40,633	156,901	442,808
	528,730	655,882	15,540	40,633	156,901	442,808

22. CAPITAL MANAGEMENT

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Target Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Company may raise new equity or sell assets to reduce debt. The Target Company is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Track Record Period.

The capital structure of the Target Company consists of net debts, which include the bank borrowings and amount due to a shareholder, net of cash and cash equivalents. Total equity comprising issued share capital and retained earnings. The net debts-to-equity ratios were as follows:

	At 31 March			At 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank Borrowing	260,295	239,610	218,924	513,190
Amount due to a shareholder	130,601	107,601	97,601	—
Less: Cash and cash equivalents	(13,034)	(3,606)	(13,037)	(8,994)
Net debts	377,862	343,605	303,488	504,196
Total equity	991,524	1,099,467	1,238,284	1,078,771
Net debts to equity ratio	0.34	0.31	0.25	0.47

23. NOTE SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	Amount due to a shareholder HK$'000
At 1 April 2015	278,395	142,001
Financing cash flows:		
Repayments of bank borrowings	(18,100)	—
Advance from a shareholder	—	2,600
Repayments of a shareholder	—	(14,000)
At 31 March 2016 and 1 April 2016	260,295	130,601
Repayments of bank borrowings	(20,685)	—
Repayments of a shareholder	—	(23,000)
At 31 March 2017 and 1 April 2017	239,610	107,601
Repayments of bank borrowings	(20,686)	—
Repayments of a shareholder	—	(10,000)
At 31 March 2018 and 1 April 2018	218,924	97,601
Proceeds from bank borrowings	304,609	—
Repayments of bank borrowings	(10,343)	—
Dividend declared to a shareholder	—	221,711
Dividend paid to a shareholder	—	(221,711)
Repayments of a shareholder	—	(97,601)
At 31 December 2018	513,190	—

	HK$'000	HK$'000
At 31 March 2017 and 1 April 2017	239,610	107,601
Repayments of bank borrowings	(15,515)	—
Repayments of a shareholder	—	(10,000)
At 31 December 2017	224,095	97,601

24. OPERATING LEASES

The Group as lessor

The properties held have committed tenants for two to four years during the Track Record Period.

At the end of each of the reporting period, the Target Company had contracted with the tenants for the following future minimum lease payments:

	Year ended 31 March			Nine months ended 31 December	
	2016	2017	2018	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Within one year	48,376	38,076	48,537	48,537	48,537
In the second to fourth year inclusive	193,637	155,561	107,024	118,744	74,400
	242,013	193,637	155,561	167,281	122,937

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2018.

(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Information**") has been prepared by the Directors in accordance with rule 14.29 of the Listing Rules, for illustrative purpose only, to provide information about how the Acquisition might have affected the financial performance, financial position and cash flows of the Group as if the proposed Acquisition had been completed on (i) 1 January 2017 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 June 2018 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the unaudited consolidated statement of financial position of the Group as at 30 June 2018 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2018 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of financial position of the Target Company as at 31 December 2018 as extracted from the accountants' report as set out in Appendix II to this Circular as if the Acquisition had been completed on 30 June 2018.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group as at 31 December 2017 extracted from the published annual report of the Group for the year ended 31 December 2017 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 March 2018 as extracted from the accountants' report as set out in Appendix II to this Circular as if the Acquisition had been completed on 1 January 2017.

The Unaudited Pro Forma Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The accompanying Unaudited Pro Forma Information has been prepared for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the Unaudited Pro Forma Information may not give a true picture of (i) the consolidated statement of financial position as at 30 June 2018 had the Acquisition been completed as of 30 June 2018, and (ii) the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017 had the Acquisition been completed as at 1 January 2017; or at any future dates.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 June 2018	The Target Company as at 31 December 2018	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustments: Consideration for the Acquisition	The Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 4, 5)*	
NON-CURRENT ASSETS					
Investment properties	138,167	1,600,000		(258)	1,737,909
Property, plant and equipment	19,419	—			19,419
Prepaid lease payments	448	—			448
	158,034	1,600,000			1,757,776
CURRENT ASSETS					
Prepaid lease payments	20	—			20
Held-for-trading investments	613,441	—			613,441
Inventories	2,894	—			2,894
Trade and other receivables	947	—			947
Other Deposit	—	501			501
Amount due from a non-controlling interest	744	—			744
Tax recoverables	197	52			249
Deposits held at a financial institution	87,302	—			87,302
Bank balances and cash	7,430	8,994	(1,000)		15,424
	712,975	9,547			721,522
CURRENT LIABILITIES					
Trade and other payables	3,810	15,540			19,350
Bank borrowings	—	513,190			513,190
Tax payables	310	2,046			2,356
Bank overdraft	—	—		295,357	295,357
	4,120	530,776			830,253
NET CURRENT ASSETS/ (LIABILITIES)	708,855	(521,229)			(108,731)

	The Group as at 30 June 2018	The Target Company as at 31 December 2018	Transaction costs related to the Acquisition	Consideration for the Acquisition	The Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 4, 5)*	
TOTAL ASSETS LESS CURRENT LIABILITIES	866,889	1,078,771			1,649,045
NON-CURRENT LIABILITIES					
Promissory Note	–	–		254,558	254,558
Deferred tax liabilities	15,433	–			15,433
	15,433	–			269,991
NET ASSETS	851,456	1,078,771			1,379,054
CAPITAL AND RESERVES					
Share capital	632,610	*			632,610
Reserves	214,637	1,078,771	(1,000)	(1,078,771)	213,637
Equity attributable to owners of the Company	847,247	1,078,771			846,247
Non-controlling interests	4,209	–		528,598	532,807
TOTAL EQUITY	851,456	1,078,771			1,379,054

* The Target Company was incorporated in the British Virgin Islands with registered and paid-up capital of HK$8, which is less than HK$1,000.

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of The Enlarged Group

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 March 2018	Pro forma adjustments Transaction costs related to the Acquisition	The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 6)*	
Revenue	9,139	38,076		47,215
Cost of sales	(6,726)	—		(6,726)
Gross profit	2,413	38,076		40,489
Dividend income from held-for-trading investments	2,046	—		2,046
Other income	1,039	—		1,039
Other gains and losses	84,752	110,001		194,753
Selling and distribution costs	(49)	—		(49)
Administrative expenses	(8,432)	(419)	(1,000)	(9,851)
Finance costs	—	(3,542)		(3,542)
Profit before income tax	81,769	144,116		224,885
Income tax expense	(14,963)	(5,299)		(20,262)
Profit for the year	66,806	138,817		204,623
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	855	—		855
Other comprehensive income for the year	855	—		855
Total comprehensive income for the year	67,661	138,817		205,478

Unaudited Pro Forma Consolidated Statement of Cash Flows of The Enlarge Group

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 March 2018	Pro forma adjustments Transaction costs related to the Acquisition	The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 6)*	
OPERATING ACTIVITIES				
Profit before income tax	81,769	144,116	(1,000)	224,885
Adjustments for:				
Scrip dividend received from held-for-trading investments	(1,209)	—		(1,209)
Interest income from banks and a financial institution	(174)	(1)		(175)
Fair value gain on investment properties	(35,552)	(110,000)		(145,552)
Finance costs	—	3,542		3,542
Unrealised gain on held-for-trading investments	(56,132)	—		(56,132)
Impairment loss on amount due from a non-controlling interest	3,764	—		3,764
Amortisation of prepaid lease payments	51	—		51
Depreciation of property, plant and equipment	1,013	—		1,013
Operating cash flows before movements in working capital	(6,470)	37,657		30,187
Decrease in held-for-trading investments	87,163	—		87,163
Decrease in inventories	168	—		168
Decrease in trade and other receivables	606	—		606
Decrease in amount due from a non-controlling interest	883	—		883
(Decrease)/increase in trade and other payables	(742)	13,443		12,701
CASH GENERATED FROM OPERATIONS	81,608	51,100		131,708
Hong Kong Profits Tax paid	(287)	(7,442)		(7,729)
NET CASH FROM OPERATING ACTIVITIES	81,321	43,658		123,979

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 March 2018	Pro forma adjustments Transaction costs related to the Acquisition	Consideration for the Acquisition	The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 4)*	
INVESTING ACTIVITIES					
Withdrawal of deposits held at a financial institution	233,350	—			233,350
Interest received	174	1			175
Placement of deposits with a financial institution	(267,069)	—			(267,069)
Acquisition of property, plant and equipment	(91)	—			(91)
Acquisition of assets through acquisition of a subsidiary	(49,647)	—		(295,357)	(345,004)
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	(83,283)	1			(378,639)
FINANCING ACTIVITIES					
Repayments of bank borrowings	—	(20,686)			(20,686)
Proceeds of bank borrowings	—	—			—
Repayments to a shareholder	—	(10,000)			(10,000)
Interest paid on bank borrowings	—	(3,542)			(3,542)
NET CASH USED IN FINANCING ACTIVITIES	—	(34,228)			(34,228)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,962)	9,431			(288,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	11,726	3,606			15,332
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	310	—			310
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH/(BANK OVERDRAFT)	10,074	13,037	(1,000)	(295,357)	(273,246)

Notes to unaudited pro forma financial information

(1) The amounts were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Company's published unaudited interim report for the six months ended 30 June 2018 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 included in the published annual report of the Group for the year ended 31 December 2017.

(2) The amounts were extracted from the statement of financial position of the Target Company as at 31 December 2018 and the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 March 2018 included in the accountants' report of the Target Company as set out in the Appendix II to this Circular.

(3) The Acquisition is to be accounted for as a purchase of assets and liabilities as the operation of the Target Company proposed to be acquired does not constitute a business for the accounting purposes. The Target Company solely engages in properties holding in Hong Kong.

(4) Pursuant to the Agreement, the consideration is HK$549,915,000 for the acquisition of 51% of the entire issued share capital of the Target Company. The consideration is to be satisfied as to:

(i) HK$40,800,000 in cash; and

(ii) the balance of HK$509,115,000 by cash and/or the issue of the Promissory Note (at the option of the Purchaser) at Completion.

The principal amount of the Promissory Note will be the total consideration less cash consideration (including the Deposit of HK$40,800,000), with 5% interest per annum and to be matured on the third anniversary from the issue date.

For the purposes of this Unaudited Pro Forma Financial Information, the directors of the Company assumed their intention is to settle the total consideration of HK$549,915,000 by combination of cash and Promissory Note, amount of HK$295,357,000 is to be settled by bank overdraft and HK$254,558,000 is to be settled by Promissory Note. The directors of the Company considered that the Group can obtain a banking facilities for the bank overdraft by pledge of their listed securities to a financial institution.

(5) For the purpose of this Unaudited Pro Forma Financial Information, in the opinion of the directors of the Company, in accordance with the accounting policy of the Group, the shortfall of the fair value of the net total consideration paid over the net assets and liabilities acquired of HK$258,000 is allocated to the investment properties on the basis that the fair values of other identifiable assets and liabilities of the Target Company equal to their respectively carrying amounts.

(6) It represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK$1,000,000. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

(7) Other than the above adjustments, no other adjustment had been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions that the Enlarged Group and the Target Group entered into subsequent to 31 December 2017.

(C) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

BDO

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2218 8288
Telefax: (852) 2815 2239

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Far East Holdings International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Far East Holdings International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and related notes as set out on pages III-1 to III-8 of Appendix III of the Company's circular dated 26 February 2019 (the "**Circular**"), in connection with the proposed acquisition of 51% of the equity interest of Joy Ease Limited (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page III-1 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2018 as if the Proposed Acquisition had taken place at 30 June 2018; and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Proposed Acquisition had taken place at 1 January 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's interim condensed consolidated financial statements for the six months ended 30 June 2018, on which no audit or review report has been published, while information about the Group's financial performance and cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 December 2017, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2018 or 1 January 2017, respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

26 February 2019

Set out below is the management discussion and analysis on the Target for the three years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2018 (the "**Track Record Period**"). The discussion and analysis relate to the consolidated results and financial position of the Target. The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II to this circular.

The Target is a company incorporated in the British Virgin Islands with limited liability. The principal activity of the Target is property investment in Hong Kong and its principal asset 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.

The Target derives all its revenue from rental income.

During the Track Record Period, (i) the monthly rent for the Signage Spaces, 3rd floor, 4th floor and 4th floor roof top remain unchanged at approximately HK$25,000 for the signage spaces and HK$920,000 for the 3rd floor, 4th floor and 4th floor roof top; (ii) prior to 1 January 2018, during the Track Record Period, the tenant for Lower and upper ground floor, 1st floor and 2nd floor was a licensed bank and generated monthly rental income of approximately HK$3,200,000.

For the nine months ended 31 December 2018

Financial

For the nine months ended 31 December 2018, the Target recorded revenue of approximately HK$33,303,000, representing a decrease of approximately 6.25% as compared to the revenue of HK$35,524,000 for nine months ended 31 December 2017 as a result of a rent- free period granted the tenants. The revenue was derived from the rental income of the Property and the rental income remains stable.

The Target also recorded other income and gains of approximately HK$1,000 from interests on bank deposits and approximately HK$40,000 as a result of a fair value gain on the Property.

The finance costs for the relevant period was approximately HK$5,318,000, attributable to interest on bank borrowings.

The profit before income tax was approximately HK$66,027,000 and the profit was approximately HK$62,198,000. The Target recorded profits and other comprehensive income for the nine months ended 31 December 2018 due to stable rental income and fair value gains of the Property.

As at 30 November 2018, the Target has an amount of HK$221,711,000 due from the Vendor (such amount arising from a cash advanced by the Target to the Vendor in October 2018 because the Target had to obtain the relevant bank consent prior to making any dividend payments) and retained profits of HK$1,238,284,000 brought forward from the prior years as a result of operating profits retained in the Target for each year. The payment of dividend from its retained earnings represented the aggregate shareholder returns accumulated in the Target. In December 2018, the Target obtained the relevant consent for dividend payment and hence declared the dividend to off-set the same amount due from the Vendor.

Liquidity and financial resources

As at 31 December 2018, the Target's net assets amounted to approximately HK$1,078,771,000. The current assets amounted to approximately HK$9,547,000 comprising of approximately HK$501,000 as sundry deposits, approximately HK$52,000 as tax recoverables and approximately HK$8,994,000 in cash and bank balances. There is a decrease in current assets for the nine months ended 31 December 2018 due to repayment of the amount due to a shareholder.

As at 31 December 2018, the Target's net current liabilities amounted to approximately HK$521,229,000, comprising of approximately HK$513,190,000 as bank borrowings attributable to the refinanced mortgage loan guaranteed by the ultimate beneficial owner of the Vendor, approximately HK$15,383,000 as tenants' deposits, approximately HK$157,000 as accrued expenses and approximately HK$2,046,000 as tax payables, offset by the current assets of HK$9,547,000. There was a significant increase in the current liabilities and total liabilities for the nine months ended 31 December 2018 as a result of refinancing of the mortgage loan of up to approximately HK$513,190,000 in October 2018 for the purposes of repayment of a loan due to the Vendor (representing the loan advanced from the Vendor to the Target for the acquisition of the Property) and dividend distribution to the Vendor.

As at 31 December 2018, the amount due to the Vendor became nil. The repayment to the Vendor of the Target amounted to HK$97,601,000 representing the settlement of an amount due to the Vendor as a result of the loan provided by the Vendor during the acquisition of the Property.

The dividend distribution of HK$221,711,000 was paid out from the retained earnings of the Target, representing the dividend attributable to the sole shareholder since the date of incorporation of the Target up to 30 November 2018.

For the nine months ended 31 December 2018, the Target had approximately HK$20,528,000 current bank borrowings due for repayment within one year and approximately HK$492,662,000 current bank borrowings due for repayment after one year which contained a repayment on demand clause in the loan agreement.

For the nine months ended 31 December 2018, the Target principally financed its business through internally generated cash flows and bank borrowings.

Treasury policies

The Target continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flow.

Capital structure

The Target's capital structure consists of net debts, which include the bank borrowings and shareholder's loan, net of cash and cash equivalents. As at 31 December 2018, the total equity of the Target amounted to approximately HK$1,078,771,000, which comprises of issued share capital and retained earnings.

Capital commitment

As at 31 December 2018, the Target had no capital commitment.

Significant investments

For the nine months ended 31 December 2018, the Target's investment properties comprised of the Property located in Hong Kong.

Material acquisitions and disposals

For the nine months ended 31 December 2018, the Target did not have any material acquisitions and disposals.

Charge on the Target's assets

As at 31 December 2018, the Property with a fair value of approximately HK$1,600,000,000 that is held by the Target was pledged to a bank as collateral for the bank borrowings of approximately HK$513,190,000.

Segment information

The Target only has one reportable operation segment which is property investment for the nine months ended 31 December 2018. Since this is the only reportable operating segment of the Target and the Property is located in Hong Kong, no further operating segment analysis thereof is presented.

Employees

As at 31 December 2018, the Target was managed by a property management services company and did not have any employees.

Exposure to foreign exchange and other financial risks

For the nine months ended 31 December 2018, the Target operated in Hong Kong, there were no transactions dominated in any currency other than HK$ and the Target did not have any foreign hedging policy or exposure to foreign exchange fluctuation.

The Target is exposed to interest rate risk which arises primarily from bank balances and bank borrowings. The Target's exposure to the risk of changes in market interest rate relates primarily to the Target's bank balance and borrowing with a floating interest rate.

The Target is exposed to credit risk arising from sundry deposits and cash and cash equivalents. The credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitoring the repayment of the recoverable.

The Target ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements.

Contingent liabilities

As at 31 December 2018, the Target had no material contingent liabilities.

Gearing ratio

The gearing ratio (being the ratio of total borrowings, including bank borrowings and amount due to a shareholder and other payables, to total assets) as at 31 December 2018 was 28.7%.

For the year ended 31 March 2018

Financial

For the year ended 31 March 2018, the Target recorded revenue of approximately HK$38,076,000, representing a decrease of approximately 21.29% as compared to the revenue of HK$48,376,000 for the year ended 31 March 2017 as a result of the decrease in rental income from the rent-free period given to tenants. The revenue was derived from the rental income of the Property.

The Target also recorded other income and gains of approximately HK$110,000,000 as a result of a fair value gain on the Property.

The finance costs for the relevant period was approximately HK$3,542,000, attributable to interest on bank borrowings.

The profit before income tax was approximately HK$144,116,000 and the profit was approximately HK$138,817,000. The Target recorded profits and other comprehensive income for the year ended 31 March 2018 due to stable income and fair value gains of the property.

Liquidity and financial resources

As at 31 March 2018, the Target's net assets amounted to approximately HK$1,238,284,000, representing an increase of approximately 12.63% as compared to the Target's net assets of HK$1,099,467,000 for the year ended 31 March 2017 mainly due to increase in cash and cash equivalent as a result of receipt of rental income from the Property. The current assets amounted to approximately HK$13,590,000 comprising of approximately HK$501,000 as sundry deposits, approximately HK$52,000 as tax recoverables, and approximately HK$13,037,000 in cash and bank balances.

As at 31 March 2018, the Target's net current liabilities amounted to approximately HK$321,716,000, comprising of approximately HK$218,924,000 as bank borrowings attributable to the initial mortgage loan guaranteed by the ultimate beneficial owner of the Vendor, approximately HK$97,601,000 as an unsecured, interest free and repayable on demand amount due to a shareholder from the initial capital injection for the purchase of the Property, approximately HK$15,383,000 as tenants' deposits and approximately HK$3,398,000 as accrued expenses. Current and total liabilities decreased for the year ended 31 March 2018 as compared to the current and total liabilities for the year ended 31 March 2016 due to repayment of the amount due to a shareholder.

For the year ended 31 March 2018, the Target had approximately HK$20,686,000 current bank borrowings due for repayment within one year and approximately HK$198,238,000 current bank borrowings due for repayment after one year which contained a repayment on demand clause in the loan agreement.

For the year ended 31 March 2018, the Target principally financed its business through internally generated cash flows and bank borrowings.

Treasury policies

The Target continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The Target's capital structure consists of net debts, which include the bank borrowings and shareholder's loan, net of cash and cash equivalents. As at 31 March 2018, the total equity of the Target amounted to approximately HK$1,238,284,000, which comprises of issued share capital and retained earnings.

Capital commitment

As at 31 March 2018, the Target had no capital commitment.

Significant investments

For the year ended 31 March 2018, the Target's investment properties consisted only of the Property located in Hong Kong.

Material acquisitions and disposals

For the year ended 31 March 2018, the Target did not have any material acquisitions and disposals.

Charge on the Target's assets

As at 31 March 2018, the Property with a fair value of approximately HK$1,560,000,000 that is held by the Target was pledged to a bank as collateral for the bank borrowings of approximately HK$218,924,000.

Segment information

The Target only has one reportable operation segment which is property investment for the year ended 31 March 2018. Since this is the only reportable operating segment of the Target and the property is located in Hong Kong, no further operating segment analysis thereof is presented.

Employees

As at 31 March 2018, the Target was managed by a property management services company and did not have any employees.

Exposure to foreign exchange and other financial risks

For the year ended 31 March 2018, the Target operated in Hong Kong, there were no transactions dominated in any currency other than HK$ and the Target did not have any foreign hedging policy or exposure to foreign exchange fluctuation.

The Target is exposed to interest rate risk which arises primarily from bank balances and bank borrowings. The Target's exposure to the risk of changes in market interest rate relates primarily to the Target's bank balance and borrowing with a floating interest rate.

The Target is exposed to credit risk arising from sundry deposits and cash and cash equivalents. The credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitoring the repayment of the recoverable.

The Target ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements.

Contingent liabilities

As at 31 March 2018, the Target had no material contingent liabilities.

Gearing ratio

The gearing ratio (being the ratio of total borrowings, including bank borrowings and amount due to a shareholder and other payables, to total assets) as at 31 March 2018 was 21.3%.

For the year ended 31 March 2017

Financial

For the year ended 31 March 2017, the Target recorded revenue of approximately HK$48,376,000, representing an increase of approximately 5.69% as compared to the revenue of HK$46,095,000 for the year ended 31 March 2016. The revenue was derived from the rental income of the Property and the rental income remains stable.

The Target also recorded other income and gains of approximately HK$1,000 from interests on bank deposits and approximately HK$70,000,000 as a result of a fair value gain on the Property.

The finance costs for the relevant period was approximately HK$3,238,000, attributable to interest on bank borrowings.

The profit before income tax was approximately HK$115,057,000 and the profit was approximately HK$107,943,000. The Target recorded profits and other comprehensive income for the year ended 31 March 2017 due to stable income and fair value gains of the Property.

Liquidity and financial resources

As at 31 March 2017, the Target's net assets amounted to approximately HK$1,099,467,000, representing an increase of approximately 10.9% as compared to the Target's net assets of HK$991,524,000 for the year ended 31 March 2016 due to increase in cash and cash equivalent as a result of receipt of rental income from the Property, which was offset by repayment of bank borrowings and amount due to the shareholder and other payables. The current assets amounted to approximately HK$4,107,000 comprising of approximately HK$501,000 as sundry deposits and approximately HK$3,606,000 in cash and bank balances. There is a balance decrease in current assets for the year ended 31 March 2017 due to repayment of the amount due to a shareholder.

As at 31 March 2017, the Target's net current liabilities amounted to approximately HK$350,533,000, comprising of approximately HK$239,610,000 as bank borrowings attributable to the initial mortgage loan guaranteed by the ultimate beneficial owner of the shareholder of the Target, approximately HK$107,601,000 as an unsecured, interest free and repayable on demand amount due to a shareholder from the initial capital injection for the purchase of the Property, approximately HK$5,215,000 as tenants' deposits, HK$123,000 as accrued expenses and approximately HK$2,091,000 as tax payables. Current and total liabilities decreased for the year ended 31 March 2017 as compared to the current and total liabilities for the year ended 31 March 2016 due to repayment of the amount due to a shareholder.

For the year ended 31 March 2017, the Target had approximately HK$20,686,000 current bank borrowings due for repayment within one year and approximately HK$218,924,000 current bank borrowings due for repayment after one year which contained a repayment on demand clause in the loan agreement.

For the year ended 31 March 2017, the Target principally financed its business through internally generated cash flows and bank borrowings.

Treasury policies

The Target continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The Target's capital structure consists of net debts, which include the bank borrowings and shareholder's loan, net of cash and cash equivalents. As at 31 March 2017, the total equity of the Target amounted to approximately HK$1,099,467,000, which comprises of issued share capital and retained earnings.

Capital commitment

As at 31 March 2017, the Target had no capital commitment.

Significant investments

For the year ended 31 March 2017, the Target's investment properties consisted only of the Property located in Hong Kong.

Material acquisitions and disposals

For the year ended 31 March 2017, the Target did not have any material acquisitions and disposals.

Charge on the Target's assets

As at 31 March 2017, the Property with a fair value of approximately HK$1,450,000,000 that is held by the Target was pledged to a bank as collateral for the bank borrowings of HK$239,610,000.

Segment information

The Target only has one reportable operation segment which is property investment for the year ended 31 March 2017. Since this is the only reportable operating segment of the Target and the Property is located in Hong Kong, no further operating segment analysis thereof is presented.

Employees

As at 31 March 2017, the Target was managed by a property management services company and did not have any employees.

Exposure to foreign exchange and other financial risks

For the year ended 31 March 2017, the Target operated in Hong Kong, there were no transactions dominated in any currency other than HK$ and the Target did not have any foreign hedging policy or exposure to foreign exchange fluctuation.

The Target's is exposed to interest rate risk which arises primarily from bank balances and bank borrowings. The Target's exposure to the risk of changes in market interest rate relates primarily to the Target's bank balance and borrowing with a floating interest rate.

The Target is exposed to credit risk arising from sundry deposits and cash and cash equivalents. The credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitoring the repayment of the recoverable.

The Target ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements.

Contingent liabilities

As at 31 March 2017, the Target had no material contingent liabilities.

Gearing ratio

The gearing ratio (being the ratio of total borrowings, including bank borrowings and amount due to a shareholder and other payables, to total assets) as at 31 March 2017 was 24.2%.

For the year ended 31 March 2016

Financial

For the year ended 31 March 2016, the Target recorded revenue of approximately HK$46,095,000. The revenue was derived from the rental income of the Property and the rental income remains stable.

The Target also recorded other income and losses of approximately HK$70,000 as a result of a fair value loss on the Property.

The finance costs for the relevant period was approximately HK$3,233,000, attributable to interest on bank borrowings.

The loss before income tax was approximately HK$27,588,000 and the loss was approximately HK$34,266,000. The Target recorded loss for the year ended 31 March 2016 due to a decrease in fair value of the Property as a result of the market downturn of commercial properties in Hong Kong.

Liquidity and financial resources

As at 31 March 2016, the Target's net assets amounted to approximately HK$991,524,000. The current assets amounted to approximately HK$13,535,000 comprising of approximately HK$501,000 as sundry deposits and approximately HK$13,034,000 in cash and bank balances.

As at 31 March 2016, the Target's net current liabilities amounted to approximately HK$388,476,000, comprising of approximately HK$260,295,000 as bank borrowings attributable to the initial mortgage loan guaranteed by the ultimate beneficial owner of the shareholder of the Target, approximately HK$130,601,000 as an unsecured, interest free and repayable on demand amount due to a shareholder from the initial capital injection for the purchase of the Property, approximately HK$5,215,000 as tenants' deposits, approximately HK$3,877,000 as accrued expenses and approximately HK$2,023,000 as tax payables. Current and total liabilities decreased for the year ended 31 March 2016 as compared to the current and total liabilities for the year ended 31 March 2015 due to repayment of the amount due to a shareholder.

For the year ended 31 March 2016, the Target had approximately HK$20,686,000 current bank borrowings due for repayment within one year and approximately HK$239,609,000 current bank borrowings due for repayment after one year which contained a repayment on demand clause in the loan agreement.

For the year ended 31 March 2016, the Target principally financed its business through internally generated cash flows and bank borrowings.

Treasury policies

The Target continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The Target's capital structure consists of net debts, which include the bank borrowings and shareholder's loan, net of cash and cash equivalents. As at 31 March 2016, the total equity of the Target amounted to approximately HK$991,524,000, which comprises of issued share capital and retained earnings.

Capital commitment

As at 31 March 2016, the Target had no capital commitment.

Significant investments

For the year ended 31 March 2016, the Target's investment properties consisted only of the Property located in Hong Kong.

Material acquisitions and disposals

For the year ended 31 March 2016, the Target did not have any material acquisitions and disposals.

Charge on the Target's assets

As at 31 March 2016, the Property with a fair value of approximately HK$1,380,000,000 that is held by the Target was pledged to a bank as collateral for the bank borrowings of approximately HK$260,295,000.

Segment information

The Target only has one reportable operation segment which is property investment for the year ended 31 March 2016. Since this is the only reportable operating segment of the Target and the Property is located in Hong Kong, no further operating segment analysis thereof is presented.

Employees

As at 31 March 2016, the Target was managed by a property management services company and did not have any employees.

Exposure to foreign exchange and other financial risks

For the year ended 31 March 2016, the Target operated in Hong Kong, there were no transactions dominated in any currency other than HK$ and the Target did not have any foreign hedging policy or exposure to foreign exchange fluctuation.

The Target is exposed to interest rate risk which arises primarily from bank balances and bank borrowings. The Target's exposure to the risk of changes in market interest rate relates primarily to the Target's bank balance and borrowing with a floating interest rate.

The Target is exposed to credit risk arising from sundry deposits and cash and cash equivalents. The credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitoring the repayment of the recoverable.

The Target ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements.

Contingent liabilities

As at 31 March 2016, the Target had no material contingent liabilities.

Gearing ratio

The gearing ratio (being the ratio of total borrowings, including bank borrowings and amount due to a shareholder and other payables, to total assets) as at 31 March 2016 was 28.7%.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the property.

ROMA

22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

26 February 2019

Far East Holdings International Limited
Unit 902, 9/F., 299 QRC,
287–299 Queen's Road Central,
Sheung Wan,
Hong Kong

Dear Sir/Madam,

Re: Property Valuation of Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor, Offices and Flat Roof on Forth Floor, and the 3 External Signage Spaces — The Remaining Portions of The External Walls of Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong.

In accordance with your instruction for us to value the property to be acquired by Far East Holdings International Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries 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 as at 31 December 2018 (the "Date of Valuation") for the purpose of incorporation in the Circular of the Company dated 26 February 2019.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "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".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalization of the net income receivable, if necessary.

3. TITLE INVESTIGATION

We have carried out land search at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, ages of building and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor areas of the property under consideration but we have assumed that the floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate is based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in compliance with the requirements set out in Chapter 8 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Nancy Chan
BSc (Hons) MHKIS MRICS
RPS(GP) MCIREA
Director

Note: Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), member of Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors and a member of the China Institute of Real Estate Appraisers and Agents. She has over 9 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, Taiwan, United Kingdom and other overseas countries.

VALUATION CERTIFICATE

Property to be acquired by the Group for investment purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2018
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor, and the 3 External Signage Spaces — The Remaining Portions of The External Walls of Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong. 76,014/142,919th equal and undivided shares of and in the Sections A, B, C, D, G and J of Inland Lot No. 80.	The property comprises 4 Storeys shop and an office floor with flat roof in a 24-storey commercial and office building, known as Silver Fortune Plaza, completed in 1992. The property has a total gross floor area ("GFA") of approximately 28,923.3 sq.ft. (or about 2,687.04 sq.m). The property is held under Government Lease for a term of 999 years commencing on 26 June 1843.	As advised by the Group, the property is subject to 2 tenancies. For details, please refer to Note Nos. 4, 5 and 6.	HK$1,600,000,000.

Notes:

1. The registered owner of the property is Joy Ease Limited (the "Target Company") vide Memorial No. 09102002750056 dated 25 September 2009.

2. The property is subject to the following encumbrances:

   a. Deed of Mutual Covenant (Previously REGD. By MEM. No. 5780040) vide Memorial No. UB5993389 dated 26 August 1993;

   b. Modification Letter vide Memorial No. UB5445681 dated 15 September 1992;

   c. Supplemental Deed to Deed of Mutual Covenant with Plan vide Memorial No. UB6380069 dated 15 August 1995 (Remarks: Of M/N 5780040 RE-REGD. By M/N 5993389);

   d. Lease with plans vide Memorial No. 17112901770015 dated 6 November 2017 in favour of Golden Master INC Limited with the rent of $3,100,000 per month. (Remarks: For 4 years from 1.1.2018 to 31.12.2021); and

   e. Supplement to Debenture, Mortgage and Assignment of Interests vide Memorial No. 18101802150162 dated 12 October 2018 in favour of The Bank of East Asia, Limited to secure all moneys (including a term loan facility of up to $980,000,000 (PT.)).

3. Joy Ease Limited is the Target Company.

4. Pursuant to a tenancy agreement in between Joy Ease Limited and Best Season Corporation Limited dated 16 July 2018, the 3 External Signage Spaces of the property is leased to Best Season Corporation Limited for a term commencing on 20 July 2017 and expiring on 19 August 2019 at a monthly rent of HKD24,750 inclusive of management fees, Government Rates and Government Rent.

5. Pursuant to a tenancy agreement in between Joy Ease Limited and Golden Master Inc. Limited dated 6 November 2017, the Lower Ground Floor, Upper Ground Floor, First Floor and Second Floor of the property is leased to Golden Master Inc. Limited for a term commencing on 1 January 2018 and expiring on 31 December 2021 at a monthly rent of HKD3,100,000.

6. Pursuant to a tenancy agreement in between Joy Ease Limited and Joyful Green Limited dated 6 November 2017, the 3rd Floor, 4th Floor and Roof Top of 4th Floor of the property is leased to Joyful Green Limited for a term commencing on 20 August 2015 and expiring on 19 August 2019 at a monthly rent of HKD920,000.

7. We have considered two commercial property sale transactions as available in the relevant market in our valuation, the details of the comparable are as follows:

Instrument Date	Instrument Nature	Property Address	Consideration (HK$)	Saleable Area (sq. ft.)		Ancillary Area (sq. ft.)		Effective Area (sq.ft.)	Unit Rate of Effective Area (HK$/sq.ft.)
25 June 2018	ASP	Basement, Cockloft and Ground Floor of Lansing House, Nos. 41–47 Queen's Road Central, Central	444,800,000	Basement	1,692.00	Cockloft	282.99	1,490.30	298,463.40
				Ground Floor	502.80				
8 March 2018	PASP	Basement and Ground Floor of Nos. 19 Lyndhurst Terrace, Central	110,000,000	Ground Floor	686.16	Yard	96.00	702.48	156,588.09

8. Our inspection was performed by Ms. Nancy Chan and Ms. Vinci Hou in January 2019.

9. The property lies within an area zoned as "Commercial" under Central District Outline Zoning Plan No. S/H4/16.

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 respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had an interest or short position 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 were 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 in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**").

As at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any person or corporation who had an interest or short position in the shares or 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 who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. COMPETING BUSINESS

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business that competed or was likely to compete with the business of the Group.

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any Directors was materially interested and which was significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2017 (the date of which the latest published audited consolidated accounts of the Company were made up), 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.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

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

(i) the Agreement;

(ii) the agreement dated 6 November 2018 in relation to the acquisition of corporate bonds issued by Mega Expo Holdings Limited in the principal amount of HK$5,000,000 at a total consideration (including transaction cost) of HK$5,012,500; and

(iii) the loan agreement dated 23 July 2018 entered into between Gold Sky Investments Limited, as the lender, and a company incorporated in the British Virgin Islands, as borrower with limited liability in respect of the term loan in the principal amount of HK$68,000,000 (the "**Loan**"), the supplemental agreement dated 31 July 2018 in relation to, among others, the extension of the drawdown date for 30 calendar days and the termination agreement dated 30 August 2018.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Roma Appraisals Limited	an independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text of its letter and/or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts was not interested, directly or indirectly, in any assets which have been 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 since 31 December 2017, being the date of which the latest published audited accounts of the Company were made up.

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Sheung Kwong Cho, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Unit 902, 299 QRC287–299 Queen's Road Central Sheung Wan, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours (except Saturdays and public holidays) for a period of 14 days from the date of this circular:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the accountants' report on the Target as set out in Appendix II to this circular;

(e) the letter in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(f) the Property Valuation Report prepared, the text of which is set out in Appendix V to this circular;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(h) the written consents referred to in the paragraph headed "Experts and consents" in this appendix; and

(i) this circular.

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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING (the "**GM**") of Far East Holdings International Limited (the "**Company**") will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 13 March 2019 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution which will be proposed, with or without modification, as ordinary resolution:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meanings as that defined in the circular of the Company dated 26 February 2019.

"**THAT**

(a) the Agreement, a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to or in connection with the Agreement and the transactions contemplated thereunder."

Yours faithfully,
By order of the Board
Far East Holdings International Limited
Dr. Wong Yun Kuen
Chairman

Hong Kong, 26 February 2019

Registered office:
Unit 902, 299 QRC
287–299 Queen's Road Central
Sheung Wan
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the GM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A member who is holder of two or more shares may appoint more than one proxy to attend on the same occasion. A form of proxy for use at the GM is enclosed herewith.

(2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong not less than 48 hours before the time appointed for holding the GM or any adjournment thereof.

(3) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the GM, either personally or by proxy, in respect of such shares as if it/he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the GM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(4) Completion and return of the form of proxy will not preclude members from attending and voting at the GM or any adjourned meeting if they so wish. If a member attends the GM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

(5) The register of members of the Company will be closed from 8 March 2019 to 13 March 2019, both dates inclusive, in order to determine the identity of the Shareholders who are entitled to attend the GM, during that date no share transfers will be registered. To be eligible to attend the GM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong, not later than 4:30 p.m. on 7 March 2019.