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## **FAR EAST GLOBAL GROUP LIMITED**

**遠東環球集團有限公司**

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

**(Stock Code: 830)**

### **DISCLOSEABLE TRANSACTION IN RESPECT OF ACQUISITION OF 55% EQUITY INTEREST IN RED HOLDINGS GROUP, INC.**

The Board is pleased to announce that on 4 May 2011 (U.S. Eastern Time), FE BVI Co and FE US Co, both indirect wholly-owned subsidiaries of the Company, entered into the Agreement to acquire 55.0% equity interest in Target Group at an aggregate consideration of US\$28.0 million including US\$1.0 million of transaction expenses incurred for the Transaction. The Target Opcos are engaged in building facade engineering business in the United States. The Completion is subject to various conditions precedent stipulated in the Agreement.

The consideration shall be in entirety in cash, of which US\$10.0 million would be payable following the satisfaction of initial closing conditions and US\$17.0 million would be payable following the satisfaction of second closing conditions as stipulated in the Agreement. In the event the Second Closing does not occur, FE BVI Co would own 20.4% equity interest in Target Group.

The Agreement contains a provision for providing a Purchase Option Right to the Company to acquire the remaining 45% equity interests in Target Group, subject to the consent of the Existing Shareholders.

The Transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

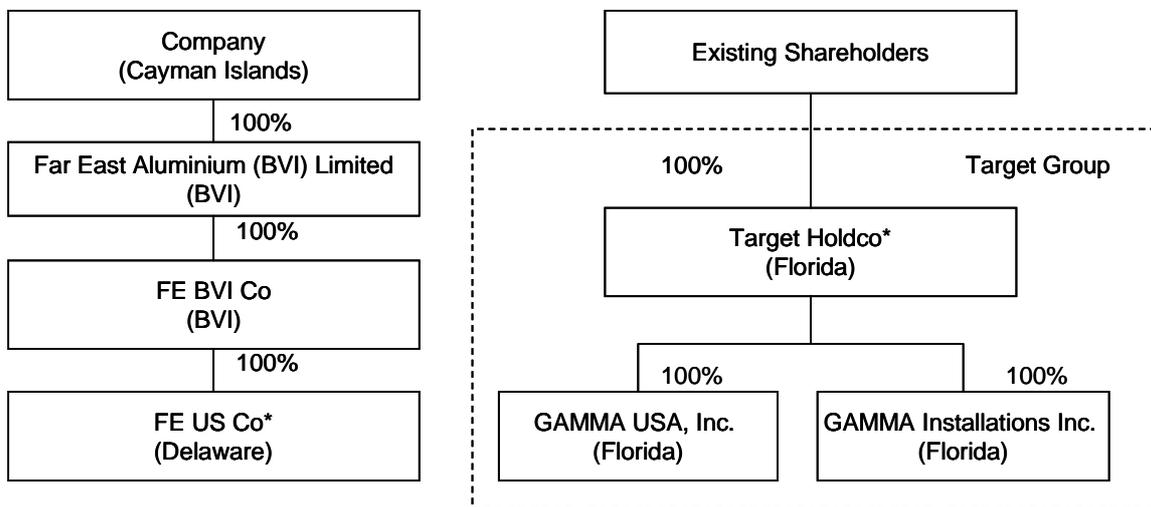
### **BACKGROUND**

On 4 May 2011 (U.S. Eastern Time), FE US Co and FE BVI Co, both indirect wholly-owned subsidiaries of the Company, entered into the Agreement pursuant to which the Company has conditionally agreed to acquire, by way of merger of FE US Co with Target Holdco, 55.0% equity interest in Target Group at a total consideration of US\$28.0 million, of which US\$27.0 million would be paid to the Existing Shareholders and US\$1.0 million would be incurred as transaction expenses for the Transaction.

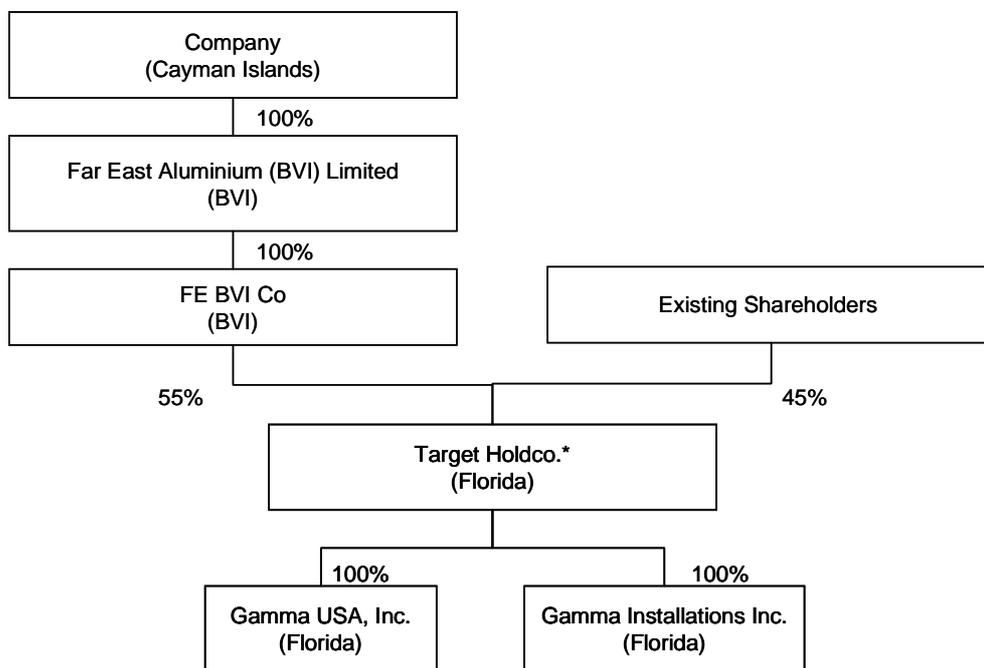
Upon Completion, Target Group will become non-wholly owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Set out below is transaction structure of the Transaction:

**Shareholding Structure immediately before the Completion**



**Shareholding Structure immediately after the Completion**



\* FE US Co would merge with Target Holdco. Target Holdco will be the surviving entity in the Transaction. FE US Co is a special purpose entity established solely to facilitate the Transaction and has no asset or liabilities immediately before the Transaction.

The Company expects to derive positive contributions in both revenue and net profit from the Transaction. The Company will make voluntary announcements in relation to the Target Group prior to Completion to provide additional information to our shareholders.

To the best of the Directors' knowledge, information, and belief and having made all reasonable enquiries, the Existing Shareholders, namely fifteen individuals residing in the United States and Edward W. Easton Family Ltd. and its ultimate beneficial owners, are third parties who are independent of the Company and its connected persons.

## **THE AGREEMENT**

### **Date**

4 May 2011 (U.S. Eastern Time)

### **Parties**

Acquirers: Venture Synergy Limited, a limited liability company incorporated in British Virgin Islands and an indirect wholly-owned subsidiary of the Company;

Venture Synergy (US) Acquisition I Inc., a Delaware corporation and an indirect wholly-owned subsidiary of the Company;

Existing Shareholders: Fifteen individuals residing in the United States and Edward W. Easton Family Ltd., a limited partnership established in Florida engaged in holding of investments

Target Group: Red Holdings Group, Inc., a Florida corporation;  
Gamma USA Inc., a Florida corporation; and  
Gamma Installations Inc., a Florida corporation

### **Acquired Shares**

Subject to the terms and conditions of the Agreement, FE BVI Co shall acquire, free and clear of all encumbrances, five hundred and fifty (550) shares of common stock representing 55.0% equity interests in Target Holdco.

### **Consideration and Payment Terms**

The consideration for the Acquired Shares shall be in entirely in cash, paid under the following conditions:

- (i) US\$10.0 million, payable following the satisfaction of initial closing conditions as stipulated in the Agreement; and

- (ii) US\$17.0 million, payable following the satisfaction of second closing conditions as stipulated in the Agreement.

Initial closing conditions include, among others, the representations and warranties made by Selling Shareholders shall be true and correct and that the Selling Shareholders have delivered to FE BVI Co all documents and agreements as part of initial closing deliveries specified in the Agreement.

Second closing conditions include, among others, the representations and warranties made by Selling Shareholders shall be true and correct, the Target Opcos have performed in accordance operating covenants as specified in the Agreement, and completion of due diligence to the satisfaction of FE BVI Co. In the event the Second Closing does not occur by the time as specified in the section below then FE BVI Co would, in proportion to the consideration then paid, own 20.4% equity interest in the Target Group.

The consideration for the Acquired Shares was determined after arm's length negotiations with Selling Shareholders taking into account of various factors including but not limited to the contract value of the current project backlog and prospective projects, the industry expertise of the Target Group, the financial positions of the Target Group and the expected synergy arising from the Transaction.

The consideration for the Acquired Shares will be funded by internal resources of the Group. There is no financial guarantee or security provided in connection with the Transaction.

### **Conditions Precedent**

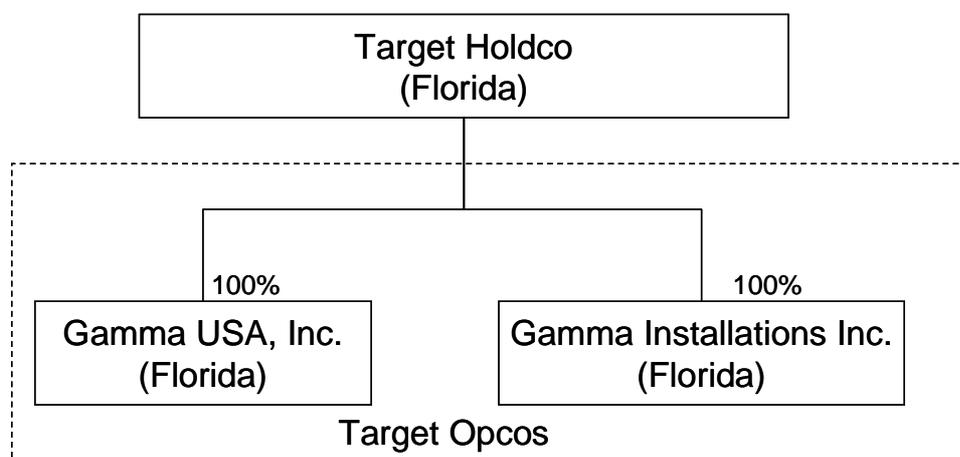
Completion is conditional upon the fulfillment (or waiver) of certain conditions precedent including, among others:

- (i) the cumulative closing cash balance of the Target Opcos shall be not less than US\$1.5 million as at initial closing;
- (ii) the Target Opcos have performed in accordance to the business operating covenants as stipulated in the Agreement;
- (iii) the representations and warranties made by Selling Shareholders shall be true and correct;
- (iv) the Selling Shareholders have delivered to FE BVI Co all documents and agreements as part of closing deliveries specified in the Agreement; and
- (v) FE BVI Co having completed its due diligence review on the Target Group and having confirmed that it is satisfied with such review in all material respects.

The Selling Shareholders shall use their reasonably best efforts to ensure fulfillment of all conditions precedent on or before 30 June 2011 (or such later date as agreed by FE BVI Co and Selling Shareholders in writing), failing which the Agreement may be terminated by the mutual written consent of FE BVI Co and Selling Shareholders.

## INFORMATION ON THE TARGET GROUP

Set out below is the shareholding structure of the Target Group immediately before the Completion:



Target Opcos are corporations established in 1995 under laws of the State of Florida, U.S. with headquarters in Miami, Florida. Target Opcos are specialized in the business of developing, manufacturing and installing architectural aluminum products for both the commercial and institutional sectors in the U.S. Target Opcos are currently engaged in various curtain-wall projects in New York City and Miami relating to government buildings, hospitals, commercial towers, and schools and universities.

Both Gamma USA, Inc. and Gamma Installations Inc. end their financial years on April 30. Based on the latest available accountant's report of the Target Opcos for the six months ended 31 October 2010, the audited consolidated net assets value of the Target Opcos as at 31 October 2010 was approximately US\$7.2million.

Target Holdco is a corporation engaged in investment holdings. Shares of Target Opcos are Target Holdco's only assets and Target Holdco has no other assets or liabilities immediately before the Completion. There is no accountant's report available for Target Holdco.

The financial information of the Target Opcos for each of the two years ended 30 April 2009 and 2010 is set out as below:

(In US\$)	Gamma USA, Inc.	Gamma Installation Inc.
For year ended 30 April 2010		
Profit before tax and extraordinary items	3,857,743	56,901
Profit after before tax and extraordinary items	2,310,811	46,830
Net assets as at 30 April 2010	6,157,731	44,198

For year ended 30 April 2009

Profit before tax and extraordinary items	2,305,411	2,828
Profit after tax and extraordinary items	1,468,426	2,828
Net assets (liabilities) as at 30 April 2009	3,846,920	(2,632)

The above financial information of the Target Opcos was provided by the Selling Shareholders and was based on the financial statements which were prepared under US GAAP and audited/reviewed by Certified Public Accountants of AICPA.

Prior to 31 October 2010, the Former Target Auditor presented financial figures of each of the Target Opcos in separate reports. For the six months ended 31 October 2010, the Current Target Auditor consolidated financials figures of the Target Opcos and presented them in one report. Since Gamma Installations Inc.'s revenues have historically been generated entirely from Gamma USA Inc., the Current Target Auditor chose to present consolidated accounts rather than separate accounts for the Target Opcos.

## **REASONS FOR THE TRANSACTION**

The Group is one of the world's leading specialty engineering firm in curtain-wall solutions with business presences in North America, South America, Greater China, Asia, as well as the Middle East. The Group provides one-stop solutions that incorporate system design and engineering, procurement, fabrication, assembly, logistics, installation, post-completion maintenance and project management services for large-scale commercial and residential curtain wall or building facade projects. The major products of the Group are curtain wall systems made primarily of fabricated aluminum cladding, stainless steel and glass.

Towards the end of 2010, signs of recovery in the construction markets and general economic recovery in North America, especially the U.S., have started to surface. The Directors consider that the Transaction will enable the Group to be better positioned in capturing future opportunities in the North American market. The Target Opcos and their management teams have had a long and established history in the North American curtain wall market.

In addition, the Target Opcos have large order backlog on hand and a stock of potential projects. By leveraging design know-how, procurement channels and fabrication process of the Group, the Group aims to introduce immediate margin improvements on Target Opcos' existing and future projects. Furthermore, the Group can facilitate Target Opcos to tender sizable projects by capitalizing on the Group's listing status and capability to obtain financing through the capital markets.

In view of the Target Opcos' order backlog, their current market presence in North America, and the expected revenue and profit contributions to the Group from the Target Opcos upon Completion, the Directors consider that the terms of the Transaction are fair and reasonable and in the interests of its shareholders as a whole.

## **PURCHASE OPTION**

Pursuant to the Agreement, FE BVI Co has a right to purchase the remaining 45% equity interest in Target Holdco, at any time from and after one year after the Completion, at an aggregate purchase price of US\$33,136,636, which is equivalent to 1.5 times on the valuation of the Target Group under the Transaction. The exercise of such option will be subject to the consent and approval of Existing Shareholders at the time of exercise. There was no premium consideration payable for such option. The exercise of such option by FE BVI Co is subject to compliance with the applicable requirements of the Listing Rules at the time of the exercise.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios for the Transaction calculated pursuant to the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and are subject to the announcement requirement under Chapter 14 of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Thursday, 5 May 2011 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Friday, 6 May 2011.

## **GENERAL**

The English text of this announcement shall prevail over the Chinese text.

Shareholders and potential investors should note that Completion is subject to the fulfillment of a number of conditions as set out in the Agreement and accordingly the Transaction may or may not proceed, Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

## **DEFINITIONS**

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

<b>“Acquired Shares”</b>	shares representing 55.0% of the existing issued capital of Target Holdco;
<b>“Agreement”</b>	the agreement dated 4 May 2011 between the Company, Target Group, FE US Co, FE BVI Co, and Existing Shareholders in relation to the acquisition of 55% equity interest in Target Holdco by way of merger;
<b>“AICPA”</b>	the American Institute of Certified Public Accountants;
<b>“Board”</b>	the board of Directors;
<b>“Company”</b>	Far East Global Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange;
<b>“Completion”</b>	completion of the Transaction in accordance of the terms and conditions of the Agreement;
<b>“connected person”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Current Target Auditor”</b>	Julian J. Rodriguez, P.A., current auditor of the Target Opcos appointed 30 October 2010;
<b>“Directors”</b>	the directors of the Company;
<b>“Existing Shareholders”</b>	all shareholders of Target Holdco immediately before the Completion, consisting of fifteen individuals residing in the United States and Edward W. Easton Family Ltd., a limited partnership established in Florida engaged in holding of investments;
<b>“FE BVI Co”</b>	Venture Synergy Limited, a limited liability company incorporated in British Virgin Islands and an indirect wholly-owned subsidiary of the Company;

<b>“FE US Co”</b>	Venture Synergy (US) Acquisition I Inc., a Delaware corporation and an indirect wholly-owned subsidiary of the Company;
<b>“Former Target Auditor”</b>	Smith, Ortiz, Gomez, P.A., auditor of Target Opcos prior to 30 October 2010;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Selling Shareholders”</b>	Mr. Elliot Kracko and Mr. Edward W. Easton Family Ltd., in their capacities as joint representatives of the Existing Shareholders;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Target Group”</b>	Target Holdco and Target Opcos;
<b>“Target Holdco”</b>	Red Holdings Group, Inc., a Florida corporation;
<b>“Target Opcos”</b>	Gamma USA, Inc. and Gamma Installations Inc., both are Florida corporations;
<b>“Transaction”</b>	the merger of FE US Co and Target Holdco under the Agreement;
<b>“U.S.”</b>	the United States of America;
<b>“US\$”</b>	United States Dollars, the lawful currency of the United States;
<b>“US GAAP”</b>	the United States generally accepted accounting principles.

By Order of the Board  
**Far East Global Group Limited**  
**Huang Brad**  
*Chairman*

Hong Kong, 5 May 2011

*At the date of this announcement, the executive directors of the Company are Mr. HUANG Brad (Chairman), Mr. KWOK Yeung Kwong (Chief Executive Officer), Mr. KO Chuk Kin, Herbert and Mr. CHIU Lok Man; the non-executive director of the Company is Mr. HUANG Guangyu and the independent non-executive directors of the Company are Mr. ZHOU Jinsong, Mr. YEN Homer Shih Hung and Mr. HONG Winn.*