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**遠東環球集團有限公司**  
**FAR EAST GLOBAL GROUP LIMITED**

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

**(Stock Code : 830)**

**RENEWAL OF CONTINUING CONNECTED  
TRANSACTIONS WITH CHINA STATE CONSTRUCTION  
INTERNATIONAL HOLDINGS LIMITED**

Reference is made to the announcement dated 28 October 2014 and the circular dated 18 November 2014 of the Company in relation to, among other things, the Previous FE-CSC Sub-construction Engagement Agreement and the Previous FE-CSC Operational Services Agreement, each entered into between CSC and the Company which will expire on 31 December 2017.

On 11 October 2017, CSC and the Company entered into the New FE-CSC Sub-construction Engagement Agreement to renew the Previous FE-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group's construction works for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the CSC Works Cap.

On 11 October 2017, CSC and the Company entered into the New FE-CSC Operational Services Agreement to renew the Previous FE-CSC Operational Services Agreement whereby (i) the Group may engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works to the Group's construction works for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the Mechanical and Electrical Engineering Works Cap; (ii) the Group may lease machineries from the CSC Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the Machineries Leasing Cap; (iii) the Group may engage the CSC Group to provide insurance services to the Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the Insurance Services Cap; and (iv) the CSC Group may supply building materials to the Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the Supply of Building Materials Cap.

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New FE-CSC Sub-construction Engagement Agreement (i.e. the CSC Works Cap) exceed 5%, the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the EGM will be conducted by poll and CSC and its associates will abstain from voting at the EGM.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New FE-CSC Operational Services Agreement (i.e. the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap in aggregate) exceed 5%, the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the EGM will be conducted by poll and CSC and its associates will abstain from voting at the EGM.

An independent board committee of the Company comprising all the independent non-executive directors of the Company has been formed to advise the Independent Shareholders in respect of the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection.

A circular containing, among other things, further particulars of the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement together with, the recommendations of the independent board committee of the Company, a letter from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders, and a notice convening the EGM will be expected to be despatched to the Shareholders on or before 1 November 2017 in accordance with the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement dated 28 October 2014 and the circular dated 18 November 2014 of the Company in relation to, among other things, the Previous FE-CSC Sub-construction Engagement Agreement and the Previous FE-CSC Operational Services Agreement, each entered into between CSC and the Company which will expire on 31 December 2017.

On 11 October 2017, CSC and the Company entered into the New FE-CSC Sub-construction Engagement Agreement to renew the Previous FE-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group's construction works.

On 11 October 2017, CSC and the Company entered into the New FE-CSC Operational Services Agreement to renew the Previous FE-CSC Operational Services Agreement whereby (i) the Group may engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works to the Group's construction works; (ii) the Group may lease machineries from the CSC Group; (iii) the Group may engage the CSC Group to provide insurance services to the Group; and (iv) the CSC Group may supply building materials to the Group.

## **NEW FE-CSC SUB-CONSTRUCTION ENGAGEMENT AGREEMENT**

Principal terms of the New FE-CSC Sub-construction Engagement Agreement are summarised as follows:

### **Date**

11 October 2017

### **Parties**

1. CSC; and
2. the Company.

### **CSC Works Transactions**

The Company expects that the CSC Group will continue to engage the Group as its subcontractor for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group's construction works from time to time. In this connection, on 11 October 2017, CSC and the Company entered into the New FE-CSC Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 whereby the parties agreed that:

- (a) any member of the Group may act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group's construction works in accordance with the applicable subcontracting procedures of the CSC Group from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the member of the Group to act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group's construction works, provided that the total contract sum that may be awarded by the CSC Group to the Group under the New FE-CSC Sub-construction Engagement Agreement for each of the three financial years ending 31 December 2020 shall not exceed HK\$1,600 million (i.e. the CSC Works Cap). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and

(c) the fees payable by the CSC Group to the Group will be settled pursuant to the payment terms set out in the specific contracts.

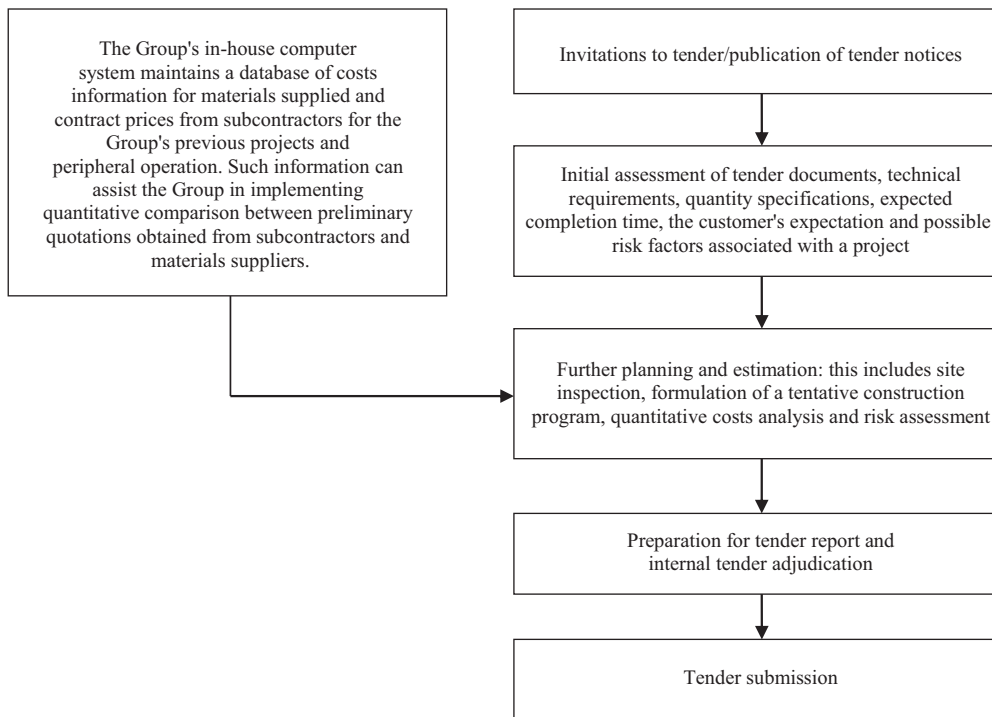
***Pricing basis of the Group's tenders submitted to the CSC Group***

As a general principle, the prices and terms of the contracts with respect to the CSC Works Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those provided to the independent third party customers of the Group.

As for the provision of contracting and engineering works, the Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor of the CSC Group.

The prices and terms of the Group's tenders submitted to the CSC Group for the CSC Group's construction works are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the Group to the CSC Group are no more favourable than those submitted to independent third parties.

The standard and systematic tender submission procedure generally involves (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. The procedure, as illustrated in the following diagram, will enable the Group to review the feasibility and profitability of the tender to be submitted and to decide the contents and pricing terms of the tender to be submitted.



In preparing and assessing the tender documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, formulate a tentative construction program, conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from subcontractors for the Group's previous projects and peripheral operation. Such information will assist the Group in conducting quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials.

The Group will also review and compare previous tender prices submitted to both connected persons and independent third parties so as to ensure that the tender price to be submitted is no more favourable than those submitted to independent third parties.

Where a member of the Group participates in a tender with all bidders (including independent third parties in the market), the Group will follow the above standard and systematic tender submission procedure and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedure(s) of the member of the CSC Group on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the bid invitation.

Where a member of the Group submits tender directly to the ultimate employer, the Group will follow the above standard and systematic tender submission procedure in preparing the terms and price of the tender, and if such member of the Group is nominated as subcontractor by the ultimate employer, consideration to such member of the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

As for the provision of project management service and project consultancy service, the Group is typically engaged to provide such services through direct appointment by the CSC Group. The price and terms of each service provided to the CSC Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project, which shall also be in line with the basis for engagement by independent third parties to provide services for projects of similar size and nature.

The project management fees and project consultancy fees are determined based on a percentage of no more than 20% of the value or remaining value of the projects for which the member of the Group is expected to be engaged to provide services. The quote to be offered will be reviewed and scrutinised by the senior management of the relevant member of the Group with reference to the cost expected to be incurred for the services and the previous quotes offered to both connected persons and independent third parties to ensure that the fees for project management service and project consultancy service are no more favourable than those offered to independent third parties.

### *Calculation of the CSC Works Cap*

The CSC Works Cap is calculated with reference to the following factors:

- (a) total contract sum of contracting and engineering works, project consultancy service and project management service provided by the Group to the construction works of the CSC Group for each of the two financial years ended 31 December 2016 of approximately HK\$1,142,848,000 and HK\$425,667,000, respectively, and in the period between 1 January 2017 and 30 September 2017 of approximately HK\$542,452,000;
- (b) estimated total contract sum of new construction projects of the CSC Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, with reference to the CSC Group's future growth and expansion for such period, which is estimated based on (i) the total historical contract sums awarded as mentioned above; (ii) the total amount of tenders submitted to ultimate employers and/or the CSC Group; (iii) the amount of tenders planned to be submitted to or projects under negotiation with the ultimate employer and/or the CSC Group; (iv) other potential projects available from ultimate employers and/or the CSC Group in the year of 2018 and projected increase in the projects for 2019 and 2020 given the positive outlook of the construction market; and
- (c) the growth of the construction markets in the PRC in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the directors of the Company, which is based on the positive outlook of the construction industry with growth in construction activities leading to an increase in the construction works available for the Group to tender in the forthcoming years.

The decrease of contract sum of works and services provided by the Group to the CSC Group in 2016 and 2017 was because the Group had neither identified any suitable projects from the CSC Group's construction works nor successfully been nominated by ultimate employers as nominated subcontractor through tenders submitted directly to the ultimate employers during the period.



## **Condition Precedent**

The CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement (together with the CSC Works Cap) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New FE-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder.

## **Reasons for the CSC Works Transactions**

The directors of the Company consider that the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement will allow the Company to maximise profits and bring synergy effect to both CSC and the Company, thereby facilitating the expansion of the Company's businesses.

The directors of the Company (other than the independent non-executive directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) consider that the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the New FE-CSC Sub-construction Engagement Agreement (together with the CSC Works Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement (together with the CSC Works Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **NEW FE-CSC OPERATIONAL SERVICES AGREEMENT**

Principal terms of the New FE-CSC Operational Services Agreement are summarised as follows:

### **Date**

11 October 2017

### **Parties**

1. CSC; and
2. the Company.

## **(1) Mechanical and Electrical Engineering Works Transactions**

The Company expects that the Group may engage the CSC Group as its subcontractor for provision of mechanical and electrical engineering works to the Group's construction works from time to time. Accordingly, under the New FE-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

- (a) any member of the CSC Group may act as subcontractor of the Group for provision of mechanical and electrical engineering works to the Group's construction works in accordance with the applicable subcontracting procedures of the Group from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the member of the CSC Group to act as subcontractor of the Group for provision of mechanical and electrical engineering works to the Group's construction works, provided that the total contract sum that may be awarded by the Group to the CSC Group under the New FE-CSC Operational Services Agreement for each of the three financial years ending 31 December 2020 shall not exceed HK\$450 million (i.e. the Mechanical and Electrical Engineering Works Cap). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the specific contracts.

### ***Pricing basis of the contract sum awarded by the Group to the CSC Group***

As a general principle, the prices and terms of the contracts with respect to the Mechanical and Electrical Engineering Works Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those awarded to independent third party subcontractors of the Group.

Where a member of the CSC Group is nominated as subcontractor by the ultimate employer, consideration to such member of the CSC Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Where a member of the Group has the right to select contractor(s), consideration to such contractor(s) will be ascertained under the supervision of an in-house qualified professional quantity surveyor. Such member of the Group will obtain at least three quotations from a list of pre-approved contractors (which is subject to periodic review and update by its management to ensure contractors' quality standards).

The Group has established its own list of pre-approved contractors. All contractors invited to submit quotations for the Group's projects are selected from contractors on the list of pre-approved contractors. Contractors on the list include those with or without prior working relationship with the Group. Contractors with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Contractors can only be retained on the list if they meet the minimum criteria for retention in the project completion assessment, otherwise they will be removed from the list. If a contractor has no prior working relationship with the Group, such contractor will be subject to qualification evaluation and review to ascertain if it is suitable for inclusion in the list.

For the selection of contractors to be invited for tenders, the suitability of a contractor is assessed with general reference to selection criteria including but not limited to the contractor's qualification grade, financial ability, technical capability, cooperation record, project management ability, quality of work and business management capability. Depending on the estimated value of the sub-construction contract, the person-in-charge and commercial managers shall conduct a vetting process to ascertain certain contractors to be invited to tender, following which the invitation for tender letters will be issued.

If the price and terms offered by a member of the CSC Group are equal to or better than those offered by independent contractors, such member of the Group may probably award the contract to such member of the CSC Group.

For projects which involve consideration of a substantial amount, the member of the CSC Group will participate in a tender with all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the Group's internal tender procedure(s) on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability and historical relationship and track records) as set out in the bid invitation.

### ***Calculation of the Mechanical and Electrical Engineering Works Cap***

The Mechanical and Electrical Engineering Works Cap is calculated with reference to the following factors:

- (a) the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the directors of the Company, which is based on the positive outlook of the construction industry and an expected growth in the construction activities in the forthcoming years, leading to an increase in general construction work projects and an increase in the need of mechanical and electrical engineering works; and

- (b) the estimated total contract sum of the new construction projects of the Group involving mechanical and electrical engineering works in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, with reference to the expected expansion and development of the Group's businesses, which is based on the fact that the Group has been awarded two new general contracting works (where the provision of mechanical and electrical engineering works will be required) by independent third party developers with total contract value of HK\$800 million in 2017, and the potential increase of general contracting work in the years from 2018 to 2020 given the positive outlook of the construction market.

The CSC Group has not been engaged by the Group to provide any mechanical and electrical engineering works in the years from 2015 to 2017 as the CSC Group has neither identified any suitable projects from the Group's construction works nor successfully been nominated by ultimate employers as nominated subcontractor through tenders submitted directly to the ultimate employers for the years.

## **(2) Machineries Leasing Transactions**

The Company expects that the Group may lease machineries from the CSC Group for the Group's construction works from time to time. Accordingly, under the New FE-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

- (a) any member of the Group may lease machineries from the CSC Group for the Group's construction works from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the leasing of machineries from the CSC Group to the Group for the Group's construction works, provided that the total rent for the leasing of machineries under the New FE-CSC Operational Services Agreement for each of the three financial years ending 31 December 2020 shall not exceed HK\$25 million (i.e. the Machineries Leasing Cap). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the rent payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the specific contracts.

### ***Pricing basis of the rent payable for the leasing of machineries***

As a general principle, the prices and terms of the contracts with respect to the Machineries Leasing Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to independent third party vendors of the Group.

Member of the Group will obtain at least three quotations from a list of pre-approved vendors (which is subject to periodic review and update by its management to ensure vendors' machinery and equipment are in good operational condition). If the price and terms offered by a member of the CSC Group are equal to or better than those offered by independent vendors, such member of the Group may probably accept the quotation from such member of the CSC Group.

The Group has established its own list of pre-approved vendors. All vendors who provide quotations for the Group's projects are selected from vendors on the list of pre-approved vendors. Vendors on the list include those with or without prior working relationship with the Group. Vendors with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Vendors can only be retained on the list if they meet the minimum criteria for retention in the project completion assessment, otherwise they will be removed from the list. If a vendor has no prior working relationship with the Group, such vendor will be subject to qualification evaluation and review to ascertain if it is suitable for inclusion in the list.

For the selection of a vendor, the lowest quotation will be selected on the condition that the vendor also satisfies all other essential requirements (including but not limited to the specification and the condition of the machinery and equipment).

### ***Calculation of the Machineries Leasing Cap***

The Machineries Leasing Cap is calculated with reference to the following factors:

- (a) the total rent for the leasing of machineries paid by the Group to the CSC Group for each of the two financial years ended 31 December 2016 of approximately HK\$2,870,000, and HK\$2,106,000, respectively, and in the period between 1 January 2017 and 30 September 2017 of approximately HK\$1,893,000;

- (b) the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the directors of the Company, which is based on the positive outlook of the construction industry with expected growth in the construction activities in the forthcoming years, leading to an increase in general construction work projects and an increase in the need of machineries leasing; and
- (c) the estimated total contract sum of the new construction projects of the Group requiring the leasing of machineries in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, with reference to the expected expansion and development of the Group's businesses, which is based on the fact that the Group has been awarded two new general contracting works (where the provision of machineries leasing will be required) by independent third party developers with total contract value of HK\$800 million in 2017, and the potential increase of general contracting work in the years from 2018 to 2020 given the positive outlook of the construction market.

### **(3) Insurance Services Transactions**

The Company expects that the Group may engage the CSC Group to provide insurance services (including but not limited to Public Liability Employees' Compensation insurance and Contractors' All Risks insurance) to the Group from time to time. Accordingly, under the New FE-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

- (a) any member of the CSC Group may provide insurance services to the Group from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the member of the CSC Group to provide insurances services to the Group, provided that the total fees payable for the provision of insurance services under the New FE-CSC Operational Services Agreement for each of the three financial years ending 31 December 2020 shall not exceed HK\$70 million (i.e. the Insurance Services Cap). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the specific contracts.

### ***Pricing basis of the fees payable for the provision of insurance services***

As a general principle, the prices and terms of the contracts with respect to the Insurance Services Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to third party insurers of the Group.

Member of the Group will obtain at least three quotations from independent insurers (directly or indirectly through insurance brokers) and a member of CSC Group. If the price and terms offered by the member of the CSC Group are equal to or better than those offered by independent insurers on the condition that the insurer also satisfies other essential requirements (including but not limited to paying ability, financial strength, specialisation, historical relationship and record of claim refusal), such member of the Group may probably accept the quotation from such member of the CSC Group.

### ***Calculation of the Insurance Services Cap***

The Insurance Services Cap is calculated with reference to the following factors:

- (a) the total fees for the provision of insurance services paid by the Group to the CSC Group for each of the two financial years ended 31 December 2016 of approximately HK\$5,212,000, and HK\$5,804,000, respectively, and in the period between 1 January 2017 and 30 September 2017 of approximately HK\$15,366,000;
- (b) the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the directors of the Company, which is based on the positive outlook of the construction industry with expected growth in the construction activities in the forthcoming years, leading to an increase in general construction work projects and an increase in the need of insurance services;
- (c) the estimated total contract sum of the new construction projects of the Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, with reference to the expected expansion and development of the Group's businesses, which is based on the fact that the Group has been awarded two new general contracting works (where the provision of insurance services will be required) by independent third party developers with total contract value of HK\$800 million in 2017, and the potential increase of general contracting work in the years from 2018 to 2020 given the positive outlook of the construction market; and

- (d) historical, current and projected insurance premiums for similar insurance services with other insurers.

#### **(4) Supply of Building Materials Transactions**

The Company expects that the CSC Group may supply building materials to the Group for the Group's construction works from time to time. Accordingly, under the New FE-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

- (a) any member of the CSC Group may supply building materials to the Group for the Group's construction works from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the supply of building materials by the CSC Group to the Group for the Group's construction works, provided that the total sum for the supply of building materials under the New FE-CSC Operational Services Agreement for each of the three financial years ending 31 December 2020 shall not exceed HK\$150 million (i.e. the Supply of Building Materials Cap). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the specific contracts.

#### ***Pricing basis of the supply of building materials to the Group by the CSC Group***

As a general principle, the prices and terms of the contracts with respect to the Supply of Building Materials Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to independent third party suppliers of the Group.

Member of the Group will obtain at least three quotations from a list of pre-approved suppliers (which is subject to periodic review and update by its management to ensure a portfolio of best in class suppliers is available for use).



The Group has established its own list of pre-approved suppliers. All suppliers provided quotations for the Group's projects are selected from suppliers on the list of pre-approved suppliers. Suppliers on the list include those with or without prior working relationship with the Group. Suppliers with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Suppliers can only be retained on the list if they meet the minimum criteria for retention in the project completion assessment, otherwise they will be removed from the list. If a supplier has no prior working relationship with the Group, such supplier will be subject to qualification evaluation and review to ascertain if it is suitable for inclusion in the list.

For the selection of a supplier, the lowest quotation will be selected on the condition that the supplier also satisfies all other essential requirements (including but not limited to relevant experience, qualities and specifications of materials and track records).

If the price and terms offered by a member of the CSC Group are equal to or better than those offered by the independent suppliers on the condition to satisfy all the essential requirements (including but not limited to relevant experience, qualities, specifications, historical relationship and track records), such member of the Group may probably award the contract to such member of the CSC Group.

### ***Calculation of the Supply of Building Materials Cap***

The Supply of Building Materials Cap is calculated with reference to the following factors:

- (a) total contract sum for provision of supply of building materials for the Group's construction works awarded by the Group to the CSC Group for each of the two financial years ended 31 December 2016 of approximately HK\$12,362,000, and HK\$6,308,000, respectively, and in the period between 1 January 2017 and 30 September 2017 of approximately HK\$7,195,000. The decrease in supply of building materials from the CSC Group in 2016 and 2017 was due to (i) the postponement of certain construction works undertaken by the Group; and (ii) the fact that the CSC Group was not successfully been awarded in certain tender projects for supplying building materials to the Group;
- (b) the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the directors of the Company, which is based on the positive outlook of the construction industry with expected growth in the construction activities in the forthcoming years, leading to an increase in general construction work projects and an increase in the need of the supply of building materials; and

- (c) the estimated total contract sum of the new construction projects of the Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, with reference to the expected expansion and development of the Group's businesses, which is based on the fact that the Group has been awarded two new general contracting works (where the supply of building materials will be required) by independent third party developers with total contract value of HK\$800 million in 2017, and the potential increase of general contracting work in the years from 2018 to 2020 given the positive outlook of the construction market.

### **Condition Precedent**

The Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement (together with the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New FE-CSC Operational Services Agreement and the transactions contemplated thereunder.

### **Reasons for the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions**

The Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, as well as the CSC Group.

The CSC Group with profound experience in building construction and solid financial standing have demonstrated itself as reliable contractor and service provider to its customers and the maintenance of a strategic business relationship with the CSC Group will not only allow the realisation of synergies and economies of scale but also facilitate the expansion of the Company's businesses.

The directors of the Company (other than the independent non-executive directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) consider that the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated

under the New FE-CSC Operational Services Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the New FE-CSC Operational Services Agreement (together with the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions (together with the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy services.

The Group mainly engages in the general contracting business and the contracting and engineering business, including design, engineering, manufacture, installation, maintenance, project consultancy and management services. Currently, the major products of the Group are exterior facade systems primarily made of fabricated aluminium cladding, stainless steel and glass.

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New FE-CSC Sub-construction Engagement Agreement (i.e. the CSC Works Cap) exceed 5%, the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the EGM will be conducted by poll and CSC and its associates will abstain from voting at the EGM.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New FE-CSC Operational Services Agreement (i.e. the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap in aggregate) exceed 5%, the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the EGM will be conducted by poll and CSC and its associates will abstain from voting at the EGM.

An independent board committee of the Company comprising all the independent non-executive directors of the Company has been formed to advise the Independent Shareholders in respect of the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection.

A circular containing, among other things, further particulars of the CSC Works Transactions contemplated under the New FE-CSC Sub-construction Engagement Agreement and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions contemplated under the New FE-CSC Operational Services Agreement together with, the recommendations of the independent board committee of the Company, a letter from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders, and a notice convening the EGM will be expected to be despatched to the Shareholders on or before 1 November 2017 in accordance with the Listing Rules. If there is expected to be delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

## DEFINITIONS

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

“30%-controlled company(ies)”, “associate(s)”, “connected person(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Far East Global Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 830), is a non-wholly owned subsidiary of CSC;
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“CSC Group”	CSC, its subsidiaries and 30%-controlled companies (excluding the Group) from time to time;
“CSC Works Cap”	the maximum total contract sum of the contracts for provision of contracting and engineering works, project consultancy service and project management service that may be awarded by the CSC Group to the Group (as subcontractor of the CSC Group) for each year under the New FE-CSC Sub-construction Engagement Agreement;
“CSC Works Transactions”	the engagement by the CSC Group of the Group as subcontractor for the CSC Group’s construction works as described under the sub-section headed “CSC Works Transactions” in this announcement;

“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the New FE-CSC Sub-construction Engagement Agreement, and the New FE-CSC Operational Services Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	Shareholder(s), other than CSC and its associates;
“Insurance Services Cap”	the maximum total fees for provision of insurance services by the CSC Group to the Group for each year under the New FE-CSC Operational Services Agreement;
“Insurance Services Transactions”	the engagement of the CSC Group to provide insurance services to the Group as described under the sub-section headed “(3) Insurance Services Transactions” in this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Machineries Leasing Cap”	the maximum total rent for the leasing of machineries from the CSC Group to the Group for each year under the New FE-CSC Operational Services Agreement;
“Machineries Leasing Transactions”	the leasing of machineries from the CSC Group to the Group for the Group’s construction works as described under the sub-section headed “(2) Machineries Leasing Transactions” in this announcement;
“Mechanical and Electrical Engineering Works Cap”	the maximum total contract sum of the contracts for provision of mechanical and electrical engineering works that may be awarded by the Group to the CSC Group (as subcontractor of the Group) for each year under the New FE-CSC Operational Services Agreement;

“Mechanical and Electrical Engineering Works Transactions”	the engagement by the Group of the CSC Group as subcontractor for provision of mechanical and electrical engineering works to the Group’s construction works as described under the sub-section headed “(1) Mechanical and Electrical Engineering Works Transactions” in this announcement;
“New FE-CSC Operational Services Agreement”	the agreement entered into between CSC and the Company on 11 October 2017 in respect of the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services Transactions and Supply of Building Materials Transactions;
“New FE-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 11 October 2017 in respect of the CSC Works Transactions;
“Previous FE-CSC Operational Services Agreement”	the agreement entered into entered into between CSC and the Company on 28 October 2014 in respect of (i) the provision of mechanical and electrical engineering works to the Group’s construction works by the CSC Group to the Group; (ii) the leasing of machineries from the CSC Group to the Group for the Group’s construction works; (iii) the provision of insurances services by the CSC Group to the Group; and (iv) the supply of building materials by the CSC Group to the Group for the Group’s construction works, from time to time;
“Previous FE-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 28 October 2014 in respect of the engagement by the CSC Group of the Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service to the CSC Group’s construction works from time to time;
“Shareholder(s)”	shareholder(s) of the Company from time to time;

“Supply of Building Materials Cap”	the maximum total sum for the supply of building materials by the CSC Group to the Group for each year under the New FE-CSC Operational Services Agreement;
“Supply of Building Materials Transactions”	the supply of building materials by the CSC Group to the Group for the Group’s construction works as described under the sub-section headed “(4) Supply of Building Materials Transactions” in this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent..

By Order of the Board  
**Far East Global Group Limited**  
**Zhou Yong**  
*Chairman and Non-executive Director*

Hong Kong, 11 October 2017

*As at the date of this announcement, the Board comprises Mr. Zhou Yong as Chairman and Non-executive Director; Mr. Zhu Yijian (Vice Chairman and Chief Executive Officer), Mr. Luo Haichuan, Mr. Wang Hai and Mr. Chan Sim Wang as Executive Directors; Mr. Huang Jiang as Non-executive Director; and Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.*