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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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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遠東環球集團有限公司

FAR EAST GLOBAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 830)

DISCLOSEABLE AND CONNECTED TRANSACTION:

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE
CAPITAL OF, AND SHAREHOLDER'S LOAN TO,
(I) VALUE IDEA INVESTMENTS LIMITED; AND
(II) FULLER SKY ENTERPRISES LIMITED
AND
PROPOSED CHANGE OF COMPANY NAME
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 25 of this circular and a letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from Red Sun Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 40 of this circular.

A notice convening the EGM to be held at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 March 2019 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM 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 in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

22 February 2019

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loans by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Articles of Association”	articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Change of Company Name”	the proposed change of English name of the Company from “Far East Global Group Limited” to “CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED” and the proposed change of dual foreign name of the Company in Chinese from “遠東環球集團有限公司” to “中國建築興業集團有限公司”
“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), which is a non-wholly owned subsidiary of CSC
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	means the 5th Business Day immediately following the day on which all the Conditions have been satisfied and/or waived or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“Condition(s)”	the condition(s) precedent for Completion as set out in the section headed “Conditions Precedent” in the Letter from the Board in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consideration”	the total amount of the purchase price payable by the Purchaser and/or its designated entity to the Vendor for the Sale Shares and the Sale Loans pursuant to the terms of the Sale and Purchase Agreement
“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 and its subsidiaries (excluding the Group) from time to time
“Directors”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held (i) for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) for the Shareholders to consider and, if thought fit, approve the Change of Company Name; and (iii) for the Shareholders to re-elect the Retiring Directors
“Fuller Sky”	Fuller Sky Enterprises Limited, a company incorporated under the laws of the BVI
“Fuller Sky Group”	means, collectively, Fuller Sky and JV Company 1
“Fuller Sky Sale Loan”	the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by Fuller Sky as at Completion (representing all amounts owing by Fuller Sky to the Vendor as at such date)
“Fuller Sky Sale Share”	the 1 ordinary share of Fuller Sky to be sold by the Vendor to the Purchaser, constituting all the issued and fully paid up shares of Fuller Sky as at the date of the Sale and Purchase Agreement and as at Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder

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“Independent Financial Adviser”	Red Sun Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“JV Agreement 1”	the joint venture agreement dated 19 December 2005 (as amended by a supplemental agreement dated 28 December 2005) and entered into between Massive Information and Nan Chang Bridge Company
“JV Agreement 2”	means collectively (i) the joint venture agreement dated 18 March 2003 in respect of JV Company 2; (ii) the joint venture agreement dated 18 March 2003 in respect of JV Company 3; (iii) the joint venture agreement dated 18 March 2003 in respect of JV Company 4, which are all supplemented by a supplemental agreement dated 10 February 2004, and each entered into between Value Idea and Nan Chang Bridge Company
“JV Company 1”	南昌中海新八大橋有限公司 (Nan Chang Zhong Hai Xin Ba Yi Bridge Limited*), a company established under the laws of the PRC, the equity interests of which are held as to 55.24% by Fuller Sky and 44.76% by Nan Chang Bridge Company
“JV Company 2”	南昌中海基礎建設有限公司 (Nan Chang Zhong Hai Infrastructure Company Limited*), a company established under the laws of the PRC, the equity interests of which are held as to 55.24% by Value Idea and 44.76% by Nan Chang Bridge Company
“JV Company 3”	南昌海盛城市橋樑有限公司 (Nan Chang Hai Sheng City Bridge Company Limited*), a company established under the laws of the PRC, the equity interests of which are held as to 55.24% by Value Idea and 44.76% by Nan Chang Bridge Company
“JV Company 4”	南昌海興城市橋樑有限公司 (Nan Chang Hai Xing City Bridge Company Limited*), a company established under the laws of the PRC, the equity interests of which are held as to 55.24% by Value Idea and 44.76% by Nan Chang Bridge Company

DEFINITIONS

“Latest Practicable Date”	18 February 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 30 June 2019 or such later date as the Vendor and the Purchaser may agree in writing from time to time
“Massive Information”	Massive information Enterprises Limited, a company incorporated in the BVI with limited liability
“Nan Chang Bridge”	南昌大橋 (Nan Chang Bridge*), which is located at Nan Chang city in Jiangxi province of the PRC
“Nan Chang Bridge Company”	南昌大橋有限公司 (Nan Chang Bridge Company Limited*), a company established under the laws of the PRC
“Nan Chang Zhong Hai Xin Ba Yi Bridge”	南昌中海新八大橋 (Nan Chang Zhong Hai Xin Ba Yi Bridge*), which is located at Nan Chang city in Jiangxi province of the PRC
“Parties”	means, collectively, the Vendor, the Purchaser and CSC
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Purchaser”	Far East Global Investment Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Company
“Retiring Directors	Mr. Zhang Haipeng, chairman and non-executive Director and and Mr. Wu Mingqing, vice-chairman, executive Director and chief executive officer of the Company, who will offer themselves for re-election as Directors at the EGM
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 7 January 2019 and entered into between the Purchaser, the Vendor and CSC (as Vendor’s guarantor) in relation to the Acquisition
“Sale Loans”	means, collectively, the Value Idea Sale Loan and the Fuller Sky Sale Loan
“Sale Shares”	means, collectively, the Value Idea Sale Share and the Fuller Sky Sale Share

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	means, collectively, Value Idea and Fuller Sky
“Target Groups”	means, collectively, the Value Idea Group and Fuller Sky Group
“US dollars”	the lawful currency of the United States of America
“Valuation”	the valuation of the market value of the 100% equity interests in Value Idea and the 100% equity interests in Fuller Sky
“Valuation Report”	the valuation report of Greater China Appraisal Limited as set out in Appendix I of this circular in respect of the Valuation
“Value Idea”	Value Idea Investments Limited, a company incorporated under the laws of the BVI
“Value Idea Group”	means collectively, Value Idea, JV Company 2, JV Company 3 and JV Company 4
“Value Idea Sale Loan”	the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by Value Idea as at Completion (representing all amounts owing by Value Idea to the Vendor as at such date)
“Value Idea Sale Share”	the 1 ordinary share of Value Idea to be sold by the Vendor to the Purchaser, constituting all the issued and fully paid up shares of Value Idea as at the date of the Sale and Purchase Agreement and as at Completion
“Vendor”	Ever Power Group Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of CSC
“Warranties”	the representations, warranties, indemnities and undertakings of the Vendor as set out in the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



遠東環球集團有限公司

FAR EAST GLOBAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 830)

Chairman and Non-executive Director:

Mr. ZHANG Haipeng

Executive Directors:

Mr. WU Mingqing (*Vice Chairman and Chief Executive Officer*)

Mr. WANG Hai

Mr. CHAN Sim Wang

Non-executive Director:

Mr. HUANG Jiang

Independent Non-executive Directors:

Mr. ZHOU Jinsong

Mr. HONG Winn

Ms. KWONG Sum Yee Anna

Registered office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

16th Floor

Eight Commercial Tower

No. 8 Sun Yip Street

Chai Wan

Hong Kong

22 February 2019

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

Reference is made to the announcement of the Company dated 7 January 2019 in respect of, among other things, (i) the Acquisition; and (ii) the Change of Company Name.

The purpose of this circular is to provide you with, among other things:

- (i) the particulars of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the letter from the Independent Board Committee with its view on the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) the letter from the Independent Financial Adviser with its advice on the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders;

LETTER FROM THE BOARD

- (iv) the particulars of the Change of Company Name;
- (v) the particulars of the Retiring Directors; and
- (vi) other information as required under the Listing Rules,

as well as to seek the approval of (i) the Independent Shareholders in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Shareholders in respect of the Change of Company Name; and (iii) the Shareholders in respect of the re-election of Retiring Directors.

THE ACQUISITION

On 7 January 2019, the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and CSC (as guarantor of the Vendor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell (i) the Value Idea Sale Share, representing the entire issued share capital of Value Idea, and the Value Idea Sale Loan; and (ii) the Fuller Sky Sale Share, representing the entire issued share capital of Fuller Sky, and the Fuller Sky Sale Loan, at a total consideration of HK\$295,000,000.

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

7 January 2019

Parties

- (i) the Purchaser (a direct wholly-owned subsidiary of the Company), as the purchaser;
- (ii) the Vendor (a direct wholly-owned subsidiary of CSC), as the vendor; and
- (iii) CSC, as the Vendor's guarantor.

CSC has joined as a party to the Sale and Purchase Agreement to guarantee and procure the due and punctual performance by the Vendor of all its obligations under the Sale and Purchase Agreement.

Assets to be acquired

- (i) The Value Idea Sale Share, representing the entire issued share capital of Value Idea, and the Value Idea Sale Loan; and
- (ii) the Fuller Sky Sale Share, representing the entire issued share capital of Fuller Sky, and the Fuller Sky Sale Loan.

LETTER FROM THE BOARD

Value Idea holds 55.24% of the equity interests in each of JV Company 2, JV Company 3 and JV Company 4. The remaining 44.76% of the equity interests in each of JV Company 2, JV Company 3 and JV Company 4 are held by Nan Chang Bridge Company. JV Company 2, JV Company 3 and JV Company 4 together own the management and operation rights for the Nan Chang Bridge up to 30 June 2025.

Fuller Sky holds 55.24% of the equity interests in JV Company 1. The remaining 44.76% of the equity interests in JV Company 1 is held by Nan Chang Bridge Company. JV Company 1 owns the management and operation rights for the Nan Chang Zhong Hai Xin Ba Yi Bridge up to 30 June 2025.

Based on the information provided by the Vendor, Nan Chang Bridge Company is owned as to 100% by 南昌城市建設投資發展有限公司 (Nanchang City Construction Investment Development Company Limited*), which is in turn owned as to approximately 90.72%, 8.69% and 0.59% by 南昌市國有資產監督管理委員會 (Nanchang State-owned Assets Supervision and Administration Commission*), 國開發基金有限公司 (China Development Fund Company Limited*) and 中國農發重點建設基金有限公司 (China Agricultural Development Construction Fund*) respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Nan Chang Bridge Company and 南昌城市建設投資發展有限公司 (Nanchang City Construction Investment Development Company Limited*) are principally engaged in the business of operating bridges.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Nan Chang Bridge Company's interests in JV Company 1, JV Company 2, JV Company 3 and JV Company 4, Nan Chang Bridge Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Loans shall be the cash sum of HK\$295,000,000, of which:

- (i) the consideration for the sale and purchase of the Value Idea Sale Share and the Value Idea Sale Loan shall be HK\$143,000,000 ("**Value Idea Consideration**"), of which HK\$104,035,754 and HK\$38,964,246 shall be attributable to the Value Idea Sale Share and the Value Idea Sale Loan, respectively; and
- (ii) the consideration for the sale and purchase of the Fuller Sky Sale Share and the Fuller Sky Sale Loan shall be HK\$152,000,000 ("**Fuller Sky Consideration**"), of which HK\$103,761,748 and HK\$48,238,252 shall be attributable to the Fuller Sky Sale Share and the Fuller Sky Sale Loan, respectively.

LETTER FROM THE BOARD

Subject to the terms and conditions of the Sale and Purchase Agreement, the Consideration shall be satisfied by the Purchaser to the Vendor in the following manner:

- (i) HK\$97,350,000, being 33% of the Consideration shall be paid within 5 Business Days after the Completion Date;
- (ii) HK\$97,350,000, being 33% of the Consideration shall be paid within 6 months after the Completion Date; and
- (iii) HK\$100,300,000, being 34% of the Consideration shall be paid within 1 year after the Completion Date.

In the event that the necessary approval from relevant regulatory authority(ies) of the PRC in relation to the transactions contemplated under the Sale and Purchase Agreement as required in paragraph (d) under the section headed “Conditions Precedent” below cannot be obtained without any adjustment to the Consideration, the Vendor and the Purchaser shall negotiate in good faith and enter into a supplemental agreement for an adjustment to the Consideration for the sale and purchase of the Sale Shares and the Sale Loans.

To the best knowledge, information and belief of the Directors, after having made reasonable enquiries, no adjustment to the Consideration for the sale and purchase of the Sale Shares and the Sale Loans is required and therefore no supplemental agreement for an adjustment to the Consideration will be entered into between the Parties.

The Consideration will be financed by the internal resources of the Group. The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser with reference to (a) the unaudited net assets of each of Value Idea and Fuller Sky as at 30 September 2018; and (b) the amount of Sale Loans on a dollar for dollar basis. No reference to the Valuation was made by the Directors when arriving at the Consideration.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfilment (or waiver by the Purchaser, if applicable) of the following Conditions:

- (a) the Vendor’s title to the Sale Shares and the Sale Loans being in order and free from all encumbrances;
- (b) all the Warranties remaining true and accurate and not misleading as at Completion and no events having occurred that would result in any breach of any of the Warranties or provisions of the Sale and Purchase Agreement by the Vendor and/or CSC;
- (c) the Vendor having facilitated the Purchaser to undertake a legal, financial and business due diligence investigation in respect of the Target Groups, and the results of such due diligence investigation being reasonably satisfactory to the Purchaser;

LETTER FROM THE BOARD

- (d) all necessary consents, confirmations, permits, approvals, licences and authorisations from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong, the PRC or elsewhere or otherwise required from any third parties (including but not limited to Nan Chang Bridge Company) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained; and
- (e) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM as required by and in accordance with the Listing Rules.

The Purchaser shall have the discretion to waive all or any part of the Conditions (other than paragraphs (d) and (e) above). If the Conditions are not fulfilled or waived on or before the Long Stop Date (other than paragraph (b) which shall be fulfilled as at Completion), then unless the Parties otherwise agree in writing, the Sale and Purchase Agreement shall automatically terminate and none of the Parties shall have any claim or liabilities thereunder against any of the other Parties (save for any antecedent breaches of the terms thereof).

As at the Latest Practicable Date, none of the Conditions have been satisfied and the Purchaser does not intend to waive any of the Conditions.

Completion

Completion will take place on the 5th Business Day immediately following the day on which all the Conditions have been satisfied and/or waived, or such other date as the Vendor and the Purchaser may agree in writing.

Post-Completion Undertakings

Pre-determined level of distributable revenues attributable to the operations of the Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge

Value Idea is entitled to share a fixed pre-determined level of distributable revenues from the operation of the Nan Chang Bridge received by JV Company 2, JV Company 3 and JV Company 4 up to 31 December 2022 under the JV Agreement 2. Fuller Sky is entitled to share a fixed pre-determined level of distributable revenues from the operation of the Nan Chang Zhong Hai Xin Ba Yi Bridge received by JV Company 1 up to 30 June 2025 under the JV Agreement 1 (after Massive Information transferred its rights and obligations under the JV Agreement 1 to Fuller Sky in October 2006).

The Vendor and the Purchaser agree that (i) the Vendor shall be entitled to the benefit of the distributable revenues attributable to the operations of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge up to and including 30 September 2018; and (ii) the Purchaser shall be entitled to the benefit of the distributable revenues attributable to the operations of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge as from 1 October 2018.

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In the event that Value Idea or Fuller Sky receives any distributable revenues attributable to the operations of the Nan Chang Bridge or Nan Chang Zhong Hai Xin Ba Yi Bridge (as the case may be) up to and including 30 September 2018 after Completion, the Purchaser undertakes to procure Value Idea or Fuller Sky (as the case may be) to pay the Vendor such distributable revenues within 5 Business Days upon receipt of the same (after deducting all taxes payable by Value Idea or Fuller Sky (as the case may be) arising from or in connection with such distributable revenues and all reasonable fees and expenses arising from or in connection with making the payment to the Vendor).

Transfer of equity rights in JV Company 1, JV Company 2, JV Company 3 and JV Company 4

Pursuant to the JV Agreement 2, if there are substantial policy changes in the PRC relating to tolls for bridges, or if the monthly income received by the JV Company 2, JV Company 3 or JV Company 4 (as the case may be) is below the pre-determined level of distributable revenues that Value Idea is entitled to under the JV Agreement 2, then Value Idea will have the right to require Nan Chang Bridge Company to purchase Value Idea's equity rights in the JV Company 2, JV Company 3 or JV Company 4 (as the case may be) at the carrying value of Value Idea's investment in the JV Company 2, JV Company 3 or JV Company 4 (as the case may be) plus a reasonable expected return during the year of operations. The Vendor undertakes to the Purchaser that in the event that Value Idea exercises its rights and requires Nan Chang Bridge Company to purchase Value Idea's equity rights in the JV Company 2, JV Company 3 and JV Company 4 after Completion, the Vendor shall provide all necessary assistance to Value Idea in its negotiations with Nan Chang Bridge Company in relation to the transfer of equity rights, subject to compliance with all applicable laws, rules and regulations.

Pursuant to the JV Agreement 1, if there are substantial policy changes in the PRC relating to tolls for bridges, or if the monthly income received by the JV Company 1 is below the pre-determined level of distributable revenues that Fuller Sky is entitled to under the JV Agreement 1, then Fuller Sky will have the right to require Nan Chang Bridge Company to purchase Fuller Sky's equity rights in the JV Company 1 at the carrying value of Fuller Sky's investment in the JV Company 1 plus a reasonable expected return during the year of operations. The Vendor hereby undertakes to the Purchaser that in the event that Fuller Sky exercises its rights and requires Nan Chang Bridge Company to purchase Fuller Sky's equity rights in the JV Company 1 after Completion, the Vendor shall provide all necessary assistance to Fuller Sky in its negotiations with Nan Chang Bridge Company in relation to the transfer of equity rights, subject to compliance with all applicable laws, rules and regulations.

If at any time prior to Completion, (i) agreement(s) or arrangement(s) has been entered into between Value Idea and Nan Chang Bridge Company for Nan Chang Bridge Company to purchase all of Value Idea's equity rights in the JV Company 2, JV Company 3 and JV Company 4; or (ii) agreement(s) or arrangement(s) has been entered into between Fuller Sky and Nan Chang Bridge Company for Nan Chang Bridge Company to purchase all of Fuller Sky's equity rights in the JV Company 1, then the Purchaser shall be entitled to, by notice in writing to the Vendor, terminate the Sale and Purchase Agreement. Any termination by the Purchaser shall be without prejudice to any rights and remedies available to the Purchaser, including but not limited to any right to claim for damages in connection with any default or breach by the Vendor under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE JV AGREEMENT 1 AND JV AGREEMENT 2

JV Agreement 1

The principal terms of the JV Agreement 1 are summarised below:

Date:	19 December 2005 (amended by a supplemental agreement dated 28 December 2005)
Parties:	(i) Nan Chang Bridge Company; and (ii) Massive Information (transferred its rights and obligations under the JV Agreement 1 to Fuller Sky in October 2006)
Registered capital of JV Company 1:	RMB439,000,000
Capital contribution:	(i) RMB196,500,000 would be contributed by Nan Chang Bridge Company, representing 44.76% of the registered capital of JV Company 1; and (ii) US dollars equivalent of RMB242,500,000 would be contributed by Massive Information, representing 55.24% of the registered capital of JV Company 1.
Composition of the board of directors:	The board of directors of the JV Company 1 shall consist of 11 directors, 5 of whom shall be appointed by Nan Chang Bridge Company and 6 of whom shall be appointed by Massive Information. Except for certain major issues specified in the JV Agreement 1 which require unanimous consent of all directors (attending in person or by representative) of the JV Company 1 at the board meeting, all other matters shall require the passing of a resolution by a majority of the directors (attending in person or by representative) at the board meeting.
Scope of business:	The scope of operation of the joint venture includes, but is not limited to, the operation and management of Nan Chang Zhong Hai Xin Ba Yi Bridge and ancillary facilities thereof, entrusted collection of bridge tolls and operation of grant of rights of advertisement placement at Nan Chang Zhong Hai Xin Ba Yi Bridge during the concession period.
Term of the joint venture:	19.5 years, from 1 January 2006 to 30 June 2025

LETTER FROM THE BOARD

Massive Information is entitled to share a fixed pre-determined level of distributable revenues from the operation of the Nan Chang Zhong Hai Xin Ba Yi Bridge received by JV Company 1 up to 30 June 2025 under the JV Agreement 1. Distributable revenues refer to the sum of the profits after tax and depreciation expenses deducting payments to three funds (namely, the reserve fund, employee incentive and welfare fund and development fund) in respect of JV Company 1.

Pursuant to the JV Agreement 1, if there are substantial policy changes in the PRC relating to tolls for bridges prior to the expiry of the concession period, or if JV Company 1 does not receive the full amount of the income it should receive in respect of a month within two months, then Massive Information will have the right to require Nan Chang Bridge Company to purchase Massive Information's equity rights in the JV Company 1 at the carrying value of Massive Information's investment in the JV Company 1 plus a reasonable expected return during the year of operations, and the expected internal rate of return (IRR) is 12%.

Set out below are the fixed pre-determined distributable revenue amounts (from 2018 onwards) to be received by Massive Information as per the payment schedule listed in the JV Agreement 1:

(RMB '000)	2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Total revenue	33,990	32,290	30,680	29,870	28,510	27,390	26,700	13,290

In October 2006, Massive Information transferred its rights and obligations under the JV Agreement 1 to Fuller Sky.

JV Agreement 2

JV Agreement 2 comprises (i) the joint venture agreement dated 18 March 2003 in respect of JV Company 2; (ii) the joint venture agreement dated 18 March 2003 in respect of JV Company 3; (iii) the joint venture agreement dated 18 March 2003 in respect of JV Company 4, which are all supplemented by a supplemental agreement dated 10 February 2004.

LETTER FROM THE BOARD

The principal terms of the joint venture agreement in respect of JV Company 2 are summarised below:

Date: 18 March 2003 (amended by the supplemental agreement dated 10 February 2004)

Parties: (i) Nan Chang Bridge Company; and
(ii) Value Idea

Registered capital of JV Company 2: RMB200,000,000

Capital contribution: (i) RMB89,520,000 would be contributed by Nan Chang Bridge Company, representing 44.76% of the registered capital of JV Company 2; and
(ii) US dollars equivalent of RMB110,480,000 would be contributed by Value Idea, representing 55.24% of the registered capital of JV Company 2.

Composition of the board of directors: The board of directors of the JV Company 2 shall consist of 11 directors, 5 of whom shall be appointed by Nan Chang Bridge Company and 6 of whom shall be appointed by Value Idea.

Except for certain major issues specified in the joint venture agreement in respect of JV Company 2 which require unanimous consent of all directors (attending in person or by representative) of the JV Company 2 at the board meeting, all other matters shall require the passing of a resolution by a majority of the directors (attending in person or by representative) at the board meeting.

Scope of business: The scope of operation of the joint venture includes, but is not limited to, the operation and management of the east approach viaduct, section K3+432 to K3+857, of Nan Chang Bridge (as described in the joint venture agreement) and ancillary facilities of Nan Chang Bridge, collection of bridge tolls, and operation of land and real estate development, grant of rights of advertisement placement within specified areas of Nan Chang Bridge during the concession period.

LETTER FROM THE BOARD

Term of the joint venture: The term of joint venture is 25 years from the date of grant of the business license. The concession period of the joint venture in respect of the subject matter is subject to the concession period as approved by the People's Government of Jiangxi Province and governed by Administrative Measures on Concession of Nan Chang Bridge of Nan Chang City (南昌市南昌大橋專營管理辦法).

The principal terms of the joint venture agreement in respect of JV Company 3 are summarised below:

Date: 18 March 2003 (amended by the supplemental agreement dated 10 February 2004)

Parties: (i) Nan Chang Bridge Company; and
(ii) Value Idea

Registered capital of JV Company 3: RMB200,000,000

Capital contribution: (i) RMB89,520,000 would be contributed by Nan Chang Bridge Company, representing 44.76% of the registered capital of JV Company 3; and
(ii) US dollars equivalent of RMB110,480,000 would be contributed by Value Idea, representing 55.24% of the registered capital of JV Company 3.

Composition of the board of directors: The board of directors of the JV Company 3 shall consist of 11 directors, 5 of whom shall be appointed by Nan Chang Bridge Company and 6 of whom shall be appointed by Value Idea.

Except for certain major issues specified in the joint venture agreement in respect of JV Company 3 which require unanimous consent of all directors (attending in person or by representative) of the JV Company 3 at the board meeting, all other matters shall require the passing of a resolution by a majority of the directors (attending in person or by representative) at the board meeting.

LETTER FROM THE BOARD

Scope of business: The scope of operation of the joint venture includes, but is not limited to, the operation and management of the west approach viaduct and approach roads, section K4+850 to K7+800, of Nan Chang Bridge (as described in the joint venture agreement) and ancillary facilities of Nan Chang Bridge, collection of bridge tolls, and operation of land and real estate development, grant of rights of advertisement placement within specified areas of Nan Chang Bridge during the concession period.

Term of the joint venture: The term of joint venture is 25 years from the date of grant of the business license. The concession period of the joint venture in respect of the subject matter is subject to the concession period as approved by the People's Government of Jiangxi Province and governed by Administrative Measures on Concession of Nan Chang Bridge of Nan Chang City (南昌市南昌大橋專營管理辦法).

The principal terms of the joint venture agreement in respect of JV Company 4 are summarised below:

Date: 18 March 2003 (amended by the supplemental agreement dated 10 February 2004)

Parties: (i) Nan Chang Bridge Company; and
(ii) Value Idea

Registered capital of JV Company 4: RMB200,000,000

Capital contribution: (i) RMB89,520,000 would be contributed by Nan Chang Bridge Company, representing 44.76% of the registered capital of JV Company 4; and
(ii) US dollars equivalent of RMB110,480,000 would be contributed by Value Idea, representing 55.24% of the registered capital of JV Company 4.

Composition of the board of directors: The board of directors of the JV Company 4 shall consist of 11 directors, 5 of whom shall be appointed by Nan Chang Bridge Company and 6 of whom shall be appointed by Value Idea.

LETTER FROM THE BOARD

Except for certain major issues specified in the joint venture agreement in respect of JV Company 4 which require unanimous consent of all directors (attending in person or by representative) of the JV Company 4 at the board meeting, all other matters shall require the passing of a resolution by a majority of the directors (attending in person or by representative) at the board meeting.

Scope of business:

The scope of operation of the joint venture includes, but is not limited to, the operation and management of the main crossing, section K3+857 to K4+850, of Nan Chang Bridge (as described in the joint venture agreement) and ancillary facilities of Nan Chang Bridge, collection of bridge tolls, and operation of land and real estate development, grant of rights of advertisement placement within specified areas of Nan Chang Bridge during the concession period.

Term of the joint venture:

The term of joint venture is 25 years from the date of grant of the business license. The concession period of the joint venture in respect of the subject matter is subject to the concession period as approved by the People's Government of Jiangxi Province and governed by Administrative Measures on Concession of Nan Chang Bridge of Nan Chang City (南昌市南昌大橋專營管理辦法).

Value Idea is entitled to share a fixed pre-determined level of distributable revenues from the operation of the Nan Chang Bridge received by JV Company 2, JV Company 3 and JV Company 4 up to 31 December 2022 under the JV Agreement 2, and all distributable revenues arising from the operation of Nan Chang Bridge received by these companies from 2023 onwards will belong to Nan Chang Bridge Company solely. Distributable revenues refer to the sum of the profits after tax and depreciation expenses deducting payments to three funds (namely, the reserve fund, employee incentive and welfare fund and development fund) in respect of JV Company 2, JV Company 3 or JV Company 4 (as the case may be).

Pursuant to the JV Agreement 2, if there are substantial policy changes in the PRC relating to tolls for bridges prior to the expiry of the concession period, or if JV Company 2, JV Company 3 or JV Company 4 (as the case may be) does not receive the full amount of the income it should receive in respect of a month within two months, then Value Idea will have the right to require Nan Chang Bridge Company to purchase Value Idea's equity rights in the JV Company 2, JV Company 3 or JV Company 4 (as the case may be) at the carrying value of Value Idea's investment in the JV Company 2, JV Company 3 or JV Company 4 (as the case may be) plus a reasonable expected return during the year of operations, and the expected internal rate of return (IRR) is 12%.

LETTER FROM THE BOARD

Set out below are the fixed pre-determined distributable revenue amounts (from 2018 onwards) to be received by Value Idea as per the payment schedule listed in the JV Agreement 2:

(RMB'000)	2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Total revenue	35,670	37,550	39,530	41,620	43,820	—	—	—

VALUATION

Greater China Appraisal Limited, an independent valuer, has been engaged to carry out the valuation of the market value of the 100% equity interests in Value Idea and the 100% equity interests in Fuller Sky. The Valuation Report of Greater China Appraisal Limited is set out in Appendix I of this circular. As disclosed in the Valuation Report, according to the Valuation carried out by Greater China Appraisal Limited, the market value of the 100% equity interests in Value Idea and 100% equity interests in Fuller Sky as at 30 September 2018 are as follows:

As at 30 September 2018	HKD
Market value of 100% equity interest in Value Idea Investments Limited (rounded)	114,000,000
Market value of 100% equity interest in Fuller Sky Enterprises Limited (rounded)	117,000,000

As the Valuation adopted the income approach which involves the use of discounted cash flow method and constitutes a profit forecast under Rule 14.61 of the Listing Rules, the Company is subject to the requirements under Rule 14.62 of the Listing Rules in relation to profit forecast.

The Board would like to draw your attention that the principal assumptions adopted in the Valuation by Greater China Appraisal Limited are described and disclosed in details on pages I-17 to I-20 in Appendix I of this circular.

The Board has reviewed the bases and assumptions upon which the Valuation was prepared, for which Greater China Appraisal Limited, as independent valuer, is solely responsible. The Board has also considered the letter from PricewaterhouseCoopers (which is included in Appendix II to this circular), the auditor of the Company, confirming that, so far as the calculations of the discounted future estimated cash flows on which the Valuation is based are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out on pages I-17 to I-20 of this circular.

On the basis of the above, the Board confirms that the Valuation contained in the valuation report as set out in Appendix I of this circular has been made after due and careful enquiry.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANIES

Value Idea and Fuller Sky are companies incorporated in the BVI with limited liability and their principal business activities are investment holding.

The unaudited net assets of Value Idea as at 30 September 2018 was HK\$102,847,128.

Set out below is a summary of certain unaudited financial information of Value Idea for the two years ended 31 December 2017:

	For the year ended	
	31 December	
	2016	2017
	HK\$	HK\$
Net profit before taxation and extraordinary items	22,082,460	19,310,078
Net profit after taxation and extraordinary items	19,874,214	17,379,070

The carrying value of Value Idea's investment in the JV Company 2, JV Company 3 and JV Company 4, in aggregate, amounted to HK\$151,206,688 as at 30 September 2018.

The unaudited net assets of Fuller Sky as at 30 September 2018 was HK\$91,433,422.

Set out below is a summary of certain unaudited financial information of Fuller Sky for the two years ended 31 December 2017:

	For the year ended	
	31 December	
	2016	2017
	HK\$	HK\$
Net profit before taxation and extraordinary items	25,877,956	22,272,458
Net profit after taxation and extraordinary items	23,290,161	20,045,212

The carrying value of Fuller Sky's investment in the JV Company 1 amounted to HK\$149,525,612 as at 30 September 2018.

The original acquisition costs of Value Idea and Fuller Sky to CSC in 2008 were HK\$220,000,000 and HK\$235,000,000, respectively.

Upon Completion, Value Idea and Fuller Sky will become wholly-owned subsidiaries of the Company.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stable cash flow is expected to be generated from each of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge and therefore considerable overall returns are being contemplated, the Acquisition may lay a solid foundation for the Group's expansion into new operating business and represents a solid step in the Group's development into a professional operating enterprise.

The Group's existing operating management business includes the provision of urban planning management and consultancy service, project management and consultancy service. The Acquisition will enable the Group to tap into the infrastructure management business (which constitutes new operating business) and hence a big step towards expansion of the scope of its operating management business. The fixed pre-determined level of distributable revenues from the operation of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge that the Group is entitled to upon completion of the Acquisition are going to generate positive cash flow that could be used as capital for funding and supporting further development of the Group's existing and new operating management business. Apart from the steady growth of cash flow generated, the Acquisition will further strengthen the Group's business scale in terms of revenue and profit base.

As a result of the positive cash flow generated from the fixed pre-determined level of distributable revenues which could support the further development of the Group's operating management business, together with the expertise and experience that the Group has in its operating management business, the Group may gradually develop into a professional operating enterprise managing not only building construction related work and projects, but also providing infrastructure management service.

INFORMATION OF THE VENDOR, THE CSC GROUP, THE PURCHASER AND THE GROUP

The Vendor, a direct wholly-owned subsidiary of CSC, is principally engaged in investment holding.

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

The Purchaser, a direct wholly-owned subsidiary of the Company, is an investment holding company.

The Group is mainly engaged in the general contracting business, facade contracting business (including design, engineering, manufacture, installation of curtain wall system) and operating management business.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

CSC is indirectly interested in approximately 74.06% of the issued share capital of the Company as at the Latest Practicable Date. It is a controlling shareholder and hence a connected person of the Company. The Vendor, being a direct wholly-owned subsidiary of CSC, is also a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from "Far East Global Group Limited" to "CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED" and to change the dual foreign name of the Company in Chinese from "遠東環球集團有限公司" to "中國建築興業集團有限公司".

CONDITIONS OF THE CHANGE OF COMPANY NAME

The Change of Company Name is subject to the following conditions:

- (i) the passing of a special resolution by the Shareholders approving the Change of Company Name at the EGM; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Change of Company Name by issuing a certificate of incorporation on change of name.

LETTER FROM THE BOARD

The relevant filing with the Registrar of Companies in the Cayman Islands will be made after the passing of the special resolution approving the Change of Company Name at the EGM. Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect upon the date on which the Registrar of Companies in the Cayman Islands issues a certificate of incorporation on change of name confirming the new English name and the new dual foreign name of the Company have been registered. Thereafter, the Company will carry out all necessary filing procedures with the Companies Registry in Hong Kong.

REASONS FOR THE CHANGE OF COMPANY NAME

The Board considers that the Change of Company Name will better reflect the strong branding effect of “China State Construction”. In addition, the Group will further expand its operating management business while expanding and strengthening its traditional facade contracting business. The Change of Company Name is therefore more in line with the direction of the Group’s future business development.

As such, the Board considers that the Change of Company Name is in the best interests of the Company and its Shareholders as a whole.

EFFECT OF THE CHANGE OF COMPANY NAME

The Change of Company Name will not affect any rights of the Shareholders or the Company’s daily business operation and its financial position.

All existing share certificates of the Company in issue bearing the existing name of the Company will, upon the Change of Company Name becoming effective, continue to be valid evidence of legal title to shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes.

Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new certificates bearing the new name of the Company. Upon the Change of Company Name becoming effective, all new share certificates will only be issued in the new name of the Company.

Subject to the confirmation by the Stock Exchange, the English and Chinese stock short names of the Company for trading in the securities on the Stock Exchange will also be changed upon the Change of Company Name becoming effective. Subject to the Change of Company Name becoming effective, the Company will also adopt a new logo. Further announcement(s) will be made by the Company in relation to the effective date of the Change of Company Name, the change of English and Chinese stock short names and the change of company logo.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

In accordance with article 83(3) of the Articles of Association, Mr. Zhang Haipeng and Mr. Wu Mingqing who were appointed by the Board to fill casual vacancies, shall hold office until the EGM and will offer themselves for re-election.

The biographical details of the Retiring Directors are set out in Appendix III to this circular.

EGM

A notice convening the EGM to be held at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 March 2019 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; special resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, to approve the Change of the Company Name; and ordinary resolutions will be proposed to the Shareholders at the EGM to re-elect the Retiring Directors as Directors.

A form of proxy for the EGM is enclosed with this circular. Whether or not you will be able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM 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 in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, CSC and its associates, in aggregate holding 1,596,403,279 shares of the Company, representing approximately 74.06% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the extent that the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon CSC;

LETTER FROM THE BOARD

- (ii) CSC was not subject to any obligation or entitlement whereby it had or it might have temporarily or permanently passed control over the exercise of the voting right in respect of its shares in the Company to a third party, either generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between CSC's beneficial shareholding interest in the Company as disclosed in this circular and the number of shares in the Company in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

No Director has a material interest in the transactions contemplated under the Sale and Purchase Agreement. However, Mr. Zhang Haipeng, who is the chairman of the Board and non-executive Director, and also the chief executive officer and executive director of CSC, has voluntarily abstained from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 March 2019 to Wednesday, 20 March 2019, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 March 2019.

RECOMMENDATIONS

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 26 to 27 in this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 28 to 40 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and the Acquisition (although not entered into in the ordinary and usual course of business of the Company) is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

The Directors consider that the Change of the Company is in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the special resolution to be proposed at the EGM.

The Directors consider that the re-election of the Retiring Directors is in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the ordinary resolutions in relation to the re-election of Retiring Directors to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
Far East Global Group Limited
Zhang Haipeng
Chairman and Non-executive Director

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



遠東環球集團有限公司

FAR EAST GLOBAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 830)

22 February 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION:

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE
CAPITAL OF, AND SHAREHOLDER'S LOAN TO,
(I) VALUE IDEA INVESTMENTS LIMITED; AND
(II) FULLER SKY ENTERPRISES LIMITED**

We refer to the circular dated 22 February 2019 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 25 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 28 to 40 of the Circular, both of which provide details of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Having considered (i) the Sale and Purchase Agreement; (ii) the advice of the Independent Financial Adviser; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and the Acquisition (although not entered into in the ordinary and usual course of business of the Company) is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
Far East Global Group Limited**

ZHOU Jinsong

Independent

Non-executive Director

HONG Winn

Independent

Non-executive Director

KWONG Sum Yee Anna

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition for inclusion in this circular.



22 February 2019

*To: The Independent Board Committee and the Independent Shareholders of
Far East Global Group Limited*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF,
AND SHAREHOLDER'S LOAN TO,
(I) VALUE IDEA INVESTMENTS LIMITED; AND
(II) FULLER SKY ENTERPRISES LIMITED**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Sale and Purchase Agreement dated 7 January 2019 between the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and CSC (as guarantor of the Vendor), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell (i) the Value Idea Sale Share, representing the entire issued share capital of Value Idea, and the Value Idea Sale Loan; and (ii) the Fuller Sky Sale Share, representing the entire issued share capital of Fuller Sky, and the Fuller Sky Sale Loan, at a total consideration of HK\$295,000,000, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group (the “**Circular**”) to the Shareholders dated 22 February 2019, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

IMPLICATIONS UNDER THE LISTING RULES

CSC is indirectly interested in approximately 74.06% of the issued share capital of the Company as at the Latest Practicable Date. It is a controlling shareholder and hence a connected person of the Company. The Vendor, being a direct wholly-owned subsidiary of CSC, is also a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board currently comprises Mr. Zhang Haipeng as Chairman and Non-executive Director, Mr. Wu Mingqing as Vice Chairman, Chief Executive Officer and Executive Director, Mr. Wang Hai and Mr. Chan Sim Wang as Executive Directors, Mr. Huang Jiang as Non-executive Director, and three Independent Non-executive Directors, namely Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna.

The Independent Board Committee comprising all the aforementioned Independent Non-executive Directors has been established to advise the Independent Shareholders whether the Sale and Purchase Agreement and the transaction contemplated thereunder, are in the interests of the Group and the Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the transaction contemplated under the Sale and Purchase Agreement for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Group in relation to (i) the renewal of continuing connected transactions with 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) and the renewal of continuing connected transactions with CSC, respectively (details of which are set out in the circular of the Group dated 1 November 2017); (ii) the discloseable and connected transaction in relation to the acquisition of the entire equity interests in China Overseas Supervision Limited* (中海監理有限公司), (details of which are set out in the circular of the Group dated 9 April 2018); and (iii) the continuing connected transactions in relation to the provision of building construction, contracting and engineering works, project management, supervision and consultancy services by the Group (the "COLI Works") for the China Overseas Land & Investment Limited ("COLI") and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange)'s construction works as a contractor, subcontractor or service provider (as the case may be) from time to time (the "COLI Group") pursuant to the framework agreement entered into between COLI and the Group on 26 June 2018 in respect of the engagement of members of the Group by members of the COLI Group for the COLI Works, (details of which are set out in the circular of the Group dated 18 July 2018).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and the management of the Group (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Group, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Purchaser, the Vendor, CSC and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement and the transaction contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the transaction contemplated under the Sale and Purchase Agreement, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

1.1 *Principal business and the financial information of the Group*

The Group is mainly engaged in the general contracting business, facade contracting business (including design, engineering, manufacture, installation of curtain wall systems) and operating management business.

Set out below is a summary of the Group's operating results extracted from the latest published annual report of the Group for the year ended 31 December 2017 (the "2017 Annual Report") and the latest published interim report of the Group for the six months ended 30 June 2018 (the "2018 Interim Report"):

	For the year ended 31 December		For the six months ended 30 June	
	2017 <i>(Audited)</i> HK\$'000	2016 <i>(Audited)</i> HK\$'000	2018 <i>(Unaudited)</i> HK\$'000	2017 <i>(Unaudited)</i> HK\$'000
Revenue	2,910,942	2,647,272	1,763,034	1,515,646
- Facade Contracting Works	2,209,728	2,190,069	1,055,469	1,015,032
- General Contracting Works	660,276	457,203	589,250	388,675
- Operating Management	40,938	—	118,315	111,939

Comparison of financial performance between the year ended 31 December 2016 and 2017

Based on the 2017 Annual Report, revenue for the year ended 31 December 2016 and 2017 was approximately HK\$2.6 billion and HK\$2.9 billion, respectively, representing a growth rate of approximately 11.5%.

As set out in the table above, the revenue generated from facade contracting works and general contracting works accounted for approximately 75.9% and 22.7% of the Group's total revenue for the year ended 31 December 2017, respectively.

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Comparison of financial performance between the six months ended 30 June 2017 and 2018

Based on the 2018 Interim Report, revenue for the six months ended 30 June and 2017 and 2018 was approximately HK\$1.5 billion and HK\$1.8 billion, respectively, representing a growth rate of approximately 20.0%.

As set out in the table above, the revenue generated from facade contracting works and general contracting works accounted for approximately 59.9% and 33.4% of the Group's total revenue for the year ended 30 June 2018, respectively.

1.2 Overview of the PRC economy

As extracted from the data of The World Bank, the gross domestic product (the "GDP") of the PRC was worth a historical high of approximately US\$12,237.70 billion in 2017, representing approximately 19.7% of the world economy. The boost of the PRC economy in recent years has led to continuous increase in the urbanization levels in the PRC and substantially increase the need of infrastructure including bridges, highways, and tunnels to support the growth of domestic activities between cities in the PRC.

The table below shows a summary of the PRC's urbanisation levels from 2010 to 2017.

	2010	2011	2012	2013	2014	2015	2016	2017
Total population (in millions)	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,339.7
Urban Population (in millions)	670.0	690.8	711.8	731.1	749.2	771.2	793.0	665.6
Urbanisation Rate (%)	50.0%	51.3%	52.6%	53.7%	54.8%	56.1%	57.4%	58.5%

Source: National Bureau of Statistics of China ("NBS")

Nanchang is the capital of Jiangxi Province in south-eastern China. Nanchang is the largest city in Jiangxi Province. According to the Statistical Communique of the National Bureau of Statistics and Statistics of Nanchang City in 2017, as of the end of November 2017, the total population of households in Nanchang City was 5,246,600. The urban population is 2,887,800. Located in the north-central part of the province, it is bounded on the west by the Jiuling Mountains, and on the east by Poyang Lake. Because of its strategic location connecting the prosperous East and South China, it has become a major railway hub in Southern China in recent decades.

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2. The Sale and Purchase Agreement

2.1 *Principal terms of the Sale and Purchase Agreement*

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

7 January 2019

Parties

- (i) the Purchaser (a direct wholly-owned subsidiary of the Company), as the purchaser;
- (ii) the Vendor (a direct wholly-owned subsidiary of CSC), as the vendor; and
- (iii) CSC, as the Vendor's guarantor.

CSC has joined as a party to the Sale and Purchase Agreement to guarantee and procure the due and punctual performance by the Vendor of all its obligations under the Sale and Purchase Agreement.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Loans shall be the cash sum of HK\$295,000,000, of which:

- (i) the consideration for the sale and purchase of the Value Idea Sale Share and the Value Idea Sale Loan shall be HK\$143,000,000 (the "**Value Idea Consideration**"), of which HK\$104,035,754 and HK\$38,964,246 shall be attributable to the Value Idea Sale Share and the Value Idea Sale Loan, respectively; and
- (ii) the consideration for the sale and purchase of the Fuller Sky Sale Share and the Fuller Sky Sale Loan shall be HK\$152,000,000 (the "**Fuller Sky Consideration**"), of which HK\$103,761,748 and HK\$48,238,252 shall be attributable to the Fuller Sky Sale Share and the Fuller Sky Sale Loan, respectively.

Subject to the terms and conditions of the Sale and Purchase Agreement, the Consideration shall be satisfied by the Purchaser to the Vendor in the following manner:

- (i) HK\$97,350,000, being 33% of the Consideration shall be paid within 5 Business Days after the Completion Date;

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- (ii) HK\$97,350,000, being 33% of the Consideration shall be paid within 6 months after the Completion Date; and
- (iii) HK\$100,300,000, being 34% of the Consideration shall be paid within 1 year after the Completion Date.

In the event that the necessary approval from relevant regulatory authority(ies) of the PRC in relation to the transactions contemplated under the Sale and Purchase Agreement as required in paragraph (d) under the section headed “Conditions Precedent” below cannot be obtained without any adjustment to the Consideration, the Vendor and the Purchaser shall negotiate in good faith and enter into a supplemental agreement for an adjustment to the Consideration for the sale and purchase of the Sale Shares and the Sale Loans.

The Consideration will be financed by the internal resources of the Group. The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser with reference to (a) the unaudited net assets of each of Value Idea and Fuller Sky as at 30 September 2018; and (b) the amount of Sale Loans on a dollar for dollar basis. No reference to the Valuation was made by the Directors when arriving at the Consideration.

Assets to be acquired

- (i) The Value Idea Sale Share, representing the entire issued share capital of Value Idea, and the Value Idea Sale Loan; and
- (ii) the Fuller Sky Sale Share, representing the entire issued share capital of Fuller Sky, and the Fuller Sky Sale Loan.

Value Idea holds 55.24% of the equity interests in each of JV Company 2, JV Company 3 and JV Company 4. The remaining 44.76% of the equity interests in each of JV Company 2, JV Company 3 and JV Company 4 are held by Nan Chang Bridge Company. JV Company 2, JV Company 3 and JV Company 4 together own the management and operation rights for the Nan Chang Bridge up to 30 June 2025. Under the JV Agreement 2, Value Idea is entitled to share a fixed pre-determined level of distributable revenues from the operation of the Nan Chang Bridge received by JV Company 2, JV Company 3 and JV Company 4 up to 31 December 2022, and all distributable revenues arising from the operation of the Nan Chang Bridge to be received by these companies from 2023 onwards will belong to Nan Chang Bridge Company solely.

Fuller Sky holds 55.24% of the equity interests in JV Company 1. The remaining 44.76% of the equity interests in JV Company 1 is held by Nan Chang Bridge Company. JV Company 1 owns the management and operation rights for the Nan Chang Zhong Hai Xin Ba Yi Bridge up to 30 June 2025. Based on the information provided by the Vendor, Nan Chang Bridge Company is owned as to 100% by 南昌城市建設投資發展有限公司 (Nanchang City Construction Investment Development Company Limited*), which is in turn owned as to approximately 90.72%, 8.69% and 0.59% by 南昌市國有資產監督管理委員會 (Nanchang State-owned Assets Supervision and Administration Commission*), 國開發基金有限公司 (China Development Fund Company Limited*) and 中國農發重點建設基金有限公司 (China Agricultural Development Construction Fund*), respectively.

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To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Nan Chang Bridge Company and 南昌城市建設投資發展有限公司 (Nanchang City Construction Investment Development Company Limited*) are principally engaged in the business of operating bridges and other than Nan Chang Bridge Company's interests in JV Company 1, JV Company 2, JV Company 3 and JV Company 4, Nan Chang Bridge Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Completion will take place on the 5th Business Day immediately following the day on which all the Conditions have been satisfied and/or waived, or such other date as the Vendor and the Purchaser may agree in writing.

Details of the principal terms of the Sale and Purchase Agreement and the JV Agreement 1 and JV Agreement 2 are set out in the section headed "The Acquisition" in the Letter from the Board in the Circular.

* *For identification purpose only*

2.2 *Reasons for and benefits of the Acquisition*

The Group is mainly engaged in the general contracting business and facade contracting business (including design, engineering, manufacture, installation of curtain wall system) and operating management business. As stated in the Letter from the Board, the Directors consider that stable cash flow is expected to be generated from each of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge and therefore considerable overall returns are being contemplated, the Acquisition may lay a solid foundation for the Group's expansion into new operating business and represents a solid step in the Group's development into a professional operating enterprise.

Upon reviewing JV Agreement 1 and JV Agreement 2 and discussing with the Management, notwithstanding that the Group is not engaged in the provision of bridges management or operation, we understand the Group shall be entitled to the benefit of the fixed pre-determined level of distributable revenues from the operations of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge. It is further noted that the Group shall not be required to engage in any daily operation and management of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge after the Completion.

In light of the above, we concur with the view of the Management that the Acquisition would be a passive investment which shall contribute a new and stable revenue stream to the Group with limited operational and credit risk as well as management time and operational cost and is therefore in the interests of the Group and the Shareholders as a whole.

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2.3 *The Consideration*

As disclosed in the Letter from the Board, the Consideration was determined through arm's length negotiations between the Vendor and the Purchaser with reference to (a) the unaudited net assets of each of Value Idea and Fuller Sky as at 30 September 2018; and (b) the amount of Sale Loans on a dollar for dollar basis. As a result, the Consideration for the sale and purchase of the Sale Shares and the Sale Loans shall be the cash sum of HK\$295,000,000 of which the payment schedule is set out under the section headed "2.1 Principal terms of the Sale and Purchase Agreement" in this letter.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation reports in respect of the Value Idea (the "**Valuation (Value Idea)**") and Fuller Sky (the "**Valuation (Fuller Sky)**") as set out in Appendix I to the Circular, respectively. We have discussed with Greater China Appraisal Limited (the "**Valuer**") in respect of the Valuation (Value Idea) and Valuation (Fuller Sky).

We have reviewed (i) the terms of the engagement letters of the Valuer in performing the Valuation (Value Idea) and Valuation (Fuller Sky); (ii) the independence of the Valuer; and (iii) the relevant qualifications and track record of the Valuer in performing valuation across various industries, including equity interest valuations. Upon our assessment on the scope of work, qualifications, experience and independency of the Valuer, we noted that the scopes of work are appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation (Value Idea) and Valuation (Fuller Sky). During our reviews, we noted that the Valuation (Value Idea) and Valuation (Fuller Sky) was conducted based on various key assumptions, details of which are set out in Appendix I to the Circular. The Valuer advised that such assumptions are generally accepted valuation procedures.

As advised by the Valuer, income approach was considered as the most appropriate method in assessing the market value of Value Idea given that (i) the value of equity interest of Value Idea is determined by the ability to generate economic benefit streams in future; and (ii) economic benefit streams of Value Idea can be identified and ascertained base on the supplemental agreement signed between Nan Chang Bridge Company and Value Idea dated 10 February 2004.

As advised by the Valuer, income approach was considered as the most appropriate method in assessing the market value of Fuller Sky given that (i) the value of equity interest of Fuller Sky is determined by the ability to generate economic benefit streams in future; and (ii) economic benefit streams of Fuller Sky can be identified and ascertained base on the supplemental agreement signed between Nan Chang Bridge Company and Massive Information Enterprises Limited dated 28 December 2005, which had subsequently transferred its 55.24% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited to Fuller Sky in October 2006.

As advised by Valuer, the cost approach was considered but rejected for valuation of the equity interest of each of Value Idea and Fuller Sky because under the cost approach, the equity interest of each of Value Idea and Fuller Sky is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. If the cost approach is used, the future economic benefits from Value Idea and Fuller Sky cannot be reflected in the equity interest in the Value Idea and Fuller Sky, respectively.

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Besides, Valuer advised that market approach was considered but rejected for valuation of the equity interest of each of Value Idea and Fuller Sky because (i) there is a lack of comparable transactions in the public market that share similar characteristic on revenue and cost structure as the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge; and (ii) acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances, which makes it difficult to know if the price paid under the agreement truly represents the estimate of the transactions.

As mentioned in the above paragraph in respect of the Valuation (Value Idea) and Valuation (Fuller Sky), we noted that income approach has been commonly adopted for valuing assets with future economic benefit stream. Based on the above, we consider that the Valuer is suitably qualified in performing the Valuation (Value Idea) and Valuation (Fuller Sky), and that the bases, assumptions and methodologies adopted in arriving at the appraised market value of Value Idea and Fuller Sky are fair and reasonable.

Under the cost approach, the equity interest in Value Idea and Fuller Sky is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. If the cost approach is used, the future economic benefits from the Target Companies cannot be reflected in the equity interest in the Target Companies.

When compared to the aggregated appraised value of the Value Idea Sale Share and the Fuller Sky Sale Share in the amount of approximately HK\$231 million as at 30 September 2018, as appraised by the Valuer, the Consideration attributable to the Value Idea Sale Share and the Fuller Sky Sale Share, in aggregate, represented a discount of approximately 10.0% to the total appraised value of the Value Idea Sale Share and the Fuller Sky Sale Share. As for the Consideration attributable to the Sale Loans, such amount shall be the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by Value Idea and Fuller Sky (the “**Target Companies Indebtedness Position**”), as at Completion (representing all amounts owing by Value Idea and Fuller Sky to the Vendor as at such date) on a dollar for dollar basis.

Taking into consideration of the fact that (i) the Consideration attributable to the Value Idea Sale Share and the Fuller Sky Sale Share, in aggregate, represented a discount of approximately 10% over the aggregated appraised value of the Value Idea Sale Share and the Fuller Sky Sale Share; (ii) the Consideration attributable to the Sale Loans was determined with reference to the Target Companies Indebtedness Position on a dollar for dollar basis; and (iii) the stable economic benefit to be generated through the Acquisition, the Management are of the view and we concur that the Acquisition is in the interests of the Company and the Consideration to be fair and reasonable.

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2.4 *The Post-Completion Undertakings*

(a) *The fixed pre-determined level of distributable revenues*

According to the JV Agreement 1 and JV Agreement 2 and as disclosed in the Letter from the Board, each of Value Idea and Fuller Sky shall be entitled to the benefit of the fixed pre-determined level of distributable revenues attributable to the operations of the Nan Chang Bridge and the Nan Chang Zhong Hai Xin Ba Yi Bridge (the “**Fixed Pre-determined Revenues**”) after the Completion. Please refer to the section headed “Post-Completion Undertakings” in the Letter from the Board.

The Management are of the view that although bridges management and operation is not in the ordinary course of business of the Group and the Fixed Pre-determined Revenues was not negotiated between the Group and the counter party on normal commercial terms nor is it on an arm’s length basis, the terms and the Fixed Pre-determined Revenues are favourable to the Group and the Shareholders as a whole as it can serve as a passive investment with an expectably stable return with very limited risk.

In order to assess whether the Acquisition is beneficial to the Group and the Shareholders as a whole, we have independently (i) reviewed the Valuation Report; (ii) analysed the underlying valuation model prepared by the Valuer; (iii) discussed with the Valuer responsible for the Valuation; and (iv) obtained and reviewed certain financials of several construction/facade projects performed by the Group provided to its independent third party customers.

Based on the Annual Report 2017 and Interim Report 2018, we note that the Company’s cash is at approximately HK\$478 million and HK\$365 million, respectively and the average bank deposit rate in RMB is approximately 0.3%. The internal rate of return (“**IRR**”) of the Acquisition is approximately 17.6% which is significantly higher than the interest rate currently earned by the Group’s idle cash.

Furthermore, we have also reviewed and compared the IRR between the Group’s principal business, i.e. construction/facade project. Notwithstanding that there are difference in nature between the Acquisition and construction/facade projects, we have also compared the IRR of the Acquisition and that of certain material construction/facade projects with contract sum ranging from approximately HK\$130.5 million to approximately HK\$233.3 million with duration of approximately five years (which is similar to the remaining terms of the joint ventures) performed by the Group provided to its independent third party customers and noted that the IRR of the Acquisition, which is approximately 17.6%, is within the project IRR^(Note) range of the material construction/facade projects of the Group from approximately 9.6% to 18.9%.

Note: IRR means, in respect of the projects prepared by the Group, the annual rate based on a 365-day period used to, at any relevant reference point in time, discount the cash flows in respect of such portion of the project return to the project starting date such that the present value of such aggregate cash flows equals zero.

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Having considered that (i) the IRR of the Acquisition is higher than the interest rate of bank deposit received by the Group; and (ii) the IRR of the Acquisition is within the range of the material construction/facade projects of the Group provided to its independent third party customers while the Acquisition would require minimal management and operational cost, we are of the view that the Acquisition can serve as a passive investment with a stable return at limited risk and is therefore in the interest of the Group and the Shareholders as a whole.

(b) *The right to request for a buyback*

As disclosed in the Letter from the Board and according to the JV Agreement 1 and JV Agreement 2, Massive Information (transferred its right and obligations under the JV Agreement 1 to Fuller Sky in October 2006) and Value Idea have the right to require Nan Chang Bridge Company to buyback 100% equity rights of Massive Information and Value Idea, respectively, at the carrying value of the respective investment in JV Company 1, JV Company 2, JV Company 3 or JV Company 4 (the “**JV Companies**”) (as the case may be) plus a reasonable expected return during the year of operations if there are substantial policy changes in the PRC relating to toll for bridges, or if the monthly income received by the JV Companies is below the pre-determined level of distributable revenues.

CSC has joined as a party to the Sale and Purchase Agreement to guarantee and procure the due and punctual performance by the Vendor of all its obligations under the Sale and Purchase Agreement. The CSC Group is a sizeable state-owned construction group listed on the Stock Exchange with a market capitalisation of approximately HK\$32.8 billion as at 7 January 2019 (being the date of the Sale and Purchase Agreement) with a revenue of approximately HK\$50.2 billion for the year ended 31 December 2017.

In light of all the factors discussed above, we are of the view that the post-completion undertakings not only provide additional assurance as mentioned above but also safeguard the Group’s interest as there shall be a secured investment exit at reasonable expected return when uncertain factors as mentioned under the section headed “Post-Completion Undertakings” in the Letter from the Board arise while the operation of the Group will not be affected by the settlement of the Consideration. In addition to the presence of CSC as the guarantor, we consider the Acquisition and the terms thereunder are on normal commercial terms and is fair and reasonable with added assurance from CSC. Having taken into consideration the above factors, we are of the view that the Acquisition with the added exit protection from CSC is in the interests to the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the basis and reasons for the Sale and Purchase Agreement;
- (ii) the Consideration attributable to the Value Idea Sale Share and the Fuller Sky Sale Share, in aggregate, represented a discount over the aggregated appraised value of the Value Idea Sale Share and the Fuller Sky Sale Share and that the Consideration attributable to the Sale Loans was determined with reference to the Target Companies Indebtedness Position on a dollar for dollar basis;
- (iii) the IRR of the Acquisition is higher than the interest rate of deposits of the Group which is in line with other completed or on-going construction projects performed by the Group but with limited input of management and operational cost and human resources; and
- (iv) the post-completion undertakings which provide the Group additional assurance from CSC.

Having considered the aforementioned factors and reasons, we are of the opinion that the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Group and the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Group and the Shareholders as a whole despite the Acquisition is not in the ordinary and usual course of business of the Group.

Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Jimmy Chung
Managing Director

Mr. Jimmy Chung is a Responsible Officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司Room 2703, 27th Floor,
Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong**Valuation of 100% Equity Interest in Value Idea Investments Limited and
100% Equity Interest in Fuller Sky Enterprises Limited****TO THE BOARD OF DIRECTORS OF FAR EAST GLOBAL GROUP LIMITED**

In accordance with the instructions from the Board of Directors of Far East Global Group Limited (the “Company”), we were engaged to perform a valuation analysis in relation to the market value of the 100% equity interest in Value Idea Investments Limited (“Value Idea”) and 100% equity interest in Fuller Sky Enterprises Limited (“Fuller Sky”) (equity interest in Value Idea and Fuller Sky collectively referred to as the “Equity Interests”) as at 30 September 2018 (the “Valuation Date”).

It is our understanding that our analysis will be used by the management of the Company for transaction reference purpose only. Our analysis was conducted for the above mentioned purpose and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is market value; whilst the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. COMPANY OVERVIEW**1. Far East Global Group Limited (the “Company”)**

The Company was established at 1969, it’s main business is to provide one-stop current wall and construction’s exterior solutions for high-end property projects. It was acquired by China State Construction International Holdings Limited in March 2012, and became a member of China Overseas Holding Limited under China State Construction Engineering.

2. Value Idea Investments Limited (“Value Idea”)

Value idea holds 55.24% of the equity interests in each of Nan Chang Zhong Hai Infrastructure Company Limited, Nan Chang Hai Xing City Bridge Company Limited and Nan Chang Hai Sheng City Bridge Company Limited, which together own the management and operation rights for the Nan Chang Bridge up to 30 June 2025. The remaining 44.76% of the equity interests in each of Nan Chang Zhong Hai Infrastructure Company Limited, Nan Chang Hai Xing City Bridge Company Limited and Nan Chang Hai Sheng City Bridge Company Limited are held by Nan Chang Bridge Company.

3. Fuller Sky Enterprises Limited (“Fuller Sky”)

Fuller Sky holds 55.24% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited. The remaining 44.76% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited is held by Nan Chang Bridge Company. Nan Chang Zhong Hai Xin Ba Yi Bridge Limited owns the management and operation rights for the Nan Chang Zhong Hai Xin Ba Yi Bridge up to 30 June 2025.

4. Massive Information Enterprise Limited (“Massive Information”)

Massive Information originally held 55.24% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited. Such right and obligation were transferred to Fuller Sky based on the share transfer agreement¹ signed in October 2016.

II. TRANSACTION OVERVIEW

On 7 January 2019, the sales and purchase agreements were entered such that the Company agreed to

- Acquire Value Idea’s entire issued share capital (the “Sale Share”) and it’s sale loan (the “Sale Loan”) for HK\$143,000,000, of which HK\$104,035,754 and HK\$38,964,246 shall be attributable to the Value Idea’s Sale Share and the Sale Loan, respectively.

¹ For identification only. The Chinese name: 股權轉讓合同-Massive & Fuller Sky.

- Acquire Fuller Sky’s entire issued share capital (the “Sale Share”) and it’s sale loan (the “Sale Loan”) for HK\$152,000,000, of which HK\$103,761,748 and HK\$48,238,252 shall be attributable to the Fuller Sky’s Sale Share and the Sale Loan, respectively.

III. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used by the management of the Company solely for transaction references purpose.

IV. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating the market value of the Equity Interests as at the Valuation Date.

V. BASIS OF VALUATION

We have performed valuation of the Equity Interests on the basis of market value. The opinion of value in the valuation will be on the basis of market value which we would define as intended to mean “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”.

Our valuation has been prepared in accordance with the International Valuation Standards (2017 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

VI. LEVEL OF VALUE

Valuation is a range concept and current valuation theories suggest that there are at least three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

- **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole;
- **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
- **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VII. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in that would generate the greatest return to the owner of the Value Idea and Fuller Sky, taking into account of what is physically possible, financially feasible, and legally permissible. Premise of value includes the following:

- **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
- **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
- **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and
- **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

VIII. SOURCES OF INFORMATION

Our analysis and conclusion were based on our discussions with the management of the Company, as well as reviews of the key documents and records, including but not limited to:

- Unaudited financial statement of Value Idea and Fuller Sky for the nine months ended 30 September 2018;
- Unaudited annual financial statement of Value Idea and Fuller Sky ended 31 December 2016 and 31 December 2017;
- Supplemental agreement² between Nan Chang Bridge Company and Value Idea, dated on 10 February 2004 (the “Supplemental Agreement 1”);
- Supplemental agreement³ between Nan Chang Bridge Company and Massive Information, dated on 28 December 2005 (the “Supplemental Agreement 2”); and
- Share transfer agreement⁴ stating that 55.24% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited was transferred from Massive Information to Fuller Sky in October 2006.

² For identification only. The Chinese name: 南昌大橋-中外合作經營合作合同書之補充合同 2004.

³ For identification only. The Chinese name: 南昌新八大橋_補充合同 2005.12.28.

⁴ For identification only. The Chinese name: 股權轉讓合同-Massive & Fuller Sky.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and the news.

IX. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Value Idea and Fuller Sky is derived, and how the valuation of the Equity Interests may be impacted.

1. Nominal GDP Growth in China

In the period of 12th Five-year Plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. Under the current 13th Five-Year Plan (2016-2020), economy growth is expected to shift into lower gear as the country pursues a more sustainable and balanced expansion based on consumption, while striving to achieve a moderately prosperous society. Although the authorities are unlikely to roll out large-scale measures to drive growth, supply side reforms should gradually free up market vitality. A number of initiatives, notably the Belt and Road Initiative, Internet Plus and Made in China 2025, should also facilitate economic upgrading and increased global integration. As such, efforts to boost consumption are likely to whet an appetite for consumer goods, whereas industry upgrading is expected to stimulate demand for capital goods.

Since the inauguration of Chinese President Mr. Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. It can be observed that the real gross domestic products (“GDP”) annual growth rate has been stabilised in the recently 5 years and remained at around 7%, whereas the inflation has remained moderate around 2% in 2017. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government.

Table 9 — 1 Real GDP Annual Growth Rate and Inflation of China

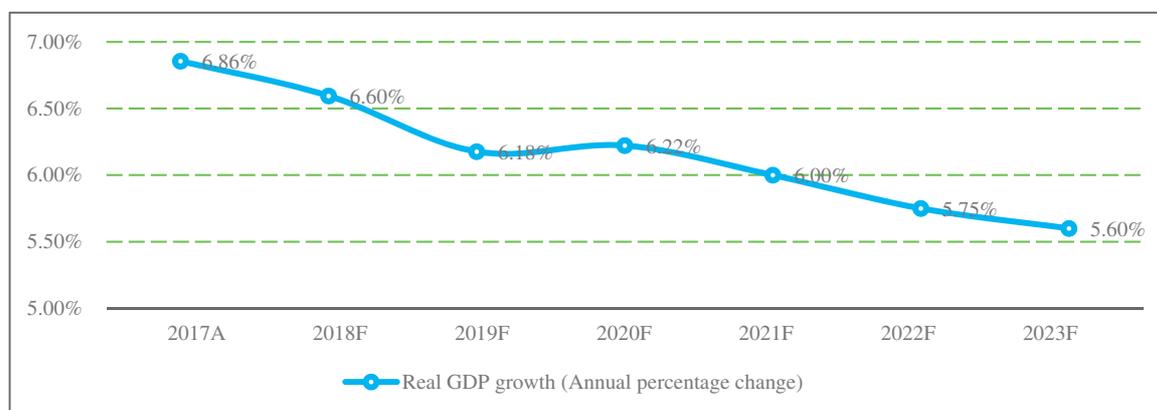
	2013A	2014A	2015A	2016A	2017A
Real GDP Annual Growth Rate (%)	7.80	7.30	6.90	6.72	6.86
Inflation (%)	2.62	1.99	1.44	2.00	1.56

Source: World Economic Outlook Database (October 2018), International Monetary Fund

In accordance with the forecast published by International Monetary Fund (“IMF”) in October 2018, the overall real GDP growth is at 6.86% in 2017, while the projection of the real GDP growth in the next five years would follow a steady decline from 6.60% in 2018 to 5.60% in 2023.

The following diagram shows the real GDP annual growth rate forecasts from 2017 to 2023.

Figure 9 — 1 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database (October 2018), International Monetary Fund

According to “World Economic Outlook Database (October 2018)” by IMF, the Chinese economy was ranked 2nd in terms of size in 2017; it possesses the greatest growth prospect among the top six economies in the world. The Chinese economy is forecast to grow from USD13,457 billion in 2018 to USD19,581 billion in 2023 with a compound annual growth rate (“CAGR”) of 7.8%. It is worth noting that the gap between the United States and China is projected to be narrowing over time.

Table 9 — 2 Worldwide GDP

	Country	GDP - Billions of the United States Dollar (“USD”)						
		2017A	2018F	2019F	2020F	2021F	2022F	2023F
1	United States	19,485	20,513	21,482	22,289	23,096	23,875	24,671
2	China	12,015	13,457	14,172	15,462	16,768	18,132	19,581
3	Japan	4,873	5,071	5,221	5,372	5,522	5,714	5,908
4	Germany	3,701	4,029	4,117	4,332	4,524	4,737	4,937
5	United Kingdom	2,628	2,809	2,810	2,913	3,012	3,135	3,257
6	India	2,602	2,690	2,958	3,259	3,587	3,941	4,330

Source: World Economic Outlook Database (October 2018), International Monetary Fund

In the near-term outlook, there are several challenges affecting the China’s economy. The trade dispute between China and the United States will have some negative impacts on China’s economy and drag China’s economy growth. For China, the newly proposed tariffs will have a greater economic impact than the earlier measures targeting steel and aluminium. Data from the National Bureau of Statistics shows that China exported nearly US\$200 billion of electronics, information and communication, and aerospace-related products to the US in 2017, accounting for 46% of its exports to the US, 9% of its total exports, and 1.6% of China’s GDP. A research report issued by PBOC shows that the USD 50 billion trade war will slow China’s GDP growth by 0.2% compared to the baseline

scenario. Besides, the rapid growth in credit financing has derived a so-called ‘shadow banking system’, raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Since China suffered from the first corporate bond default in March 2014, the bond investors in the current market became more cautious on reviewing the credibility of the borrowers and the stability of the market.

In addition, China’s economic growth in the past was highly dependent on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments, which was mainly financed by borrowing, is challenging. After the inauguration of Chinese President Xi, the China’s government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi’s campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

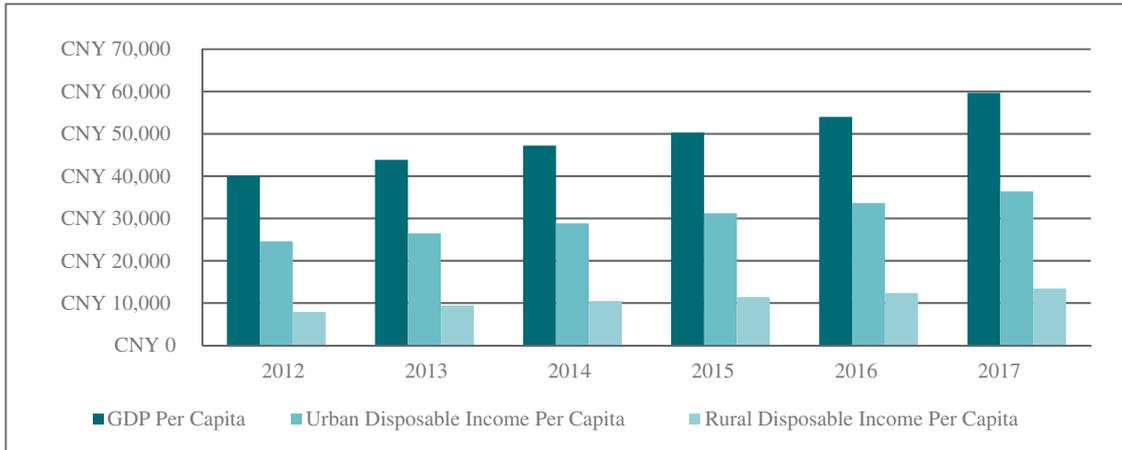
While the GDP growth of China’s market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk of collapse, the “temporary hard-landing” will not deter the long-term growth prospect of China.

2. GDP per Capita in China

Improving standard of living was one of the main issues in social aspects of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB24,565 in 2012 to RMB36,396 in 2017, representing a CAGR of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB7,920 in 2012 to RMB13,432 in 2017, representing a CAGR approximate to 14.0%. In comparison to the inflationary figures, the annual inflation rate is between 1.44% and 5.40% during the period from 2012 to 2017. Hence, there were improvements in the standard of living of Chinese people overall in the period from 2012 to 2017.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2012 to 2017.

Figure 9 — 2 GDP per Capita of China



Source: National Bureau of Statistics of China

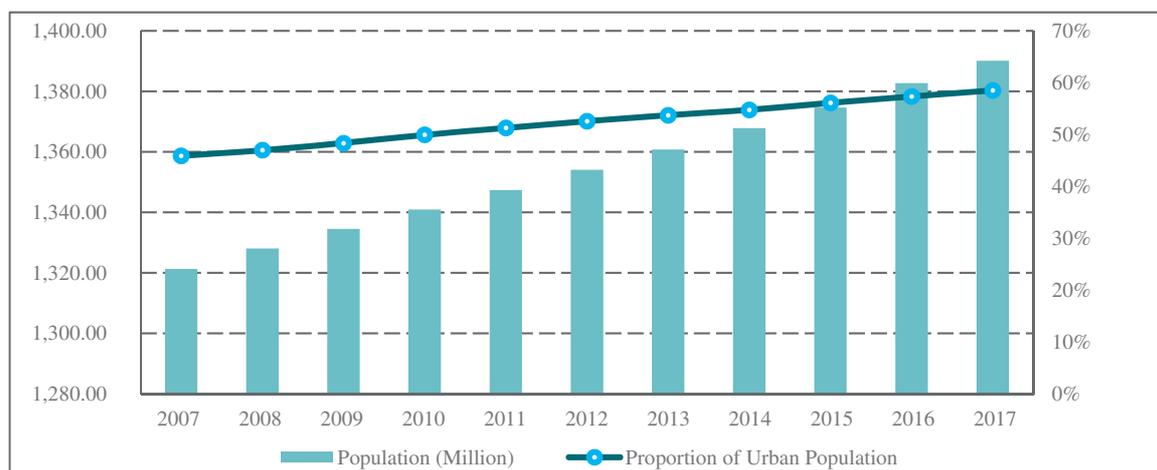
3. Population Growth

The population of China accounts for almost one fifth of the world’s population. According to the National Bureau of Statistics of China, the population has grown from 1.32 billion in 2007 to 1.39 billion in 2017, representing a CAGR of approximately 0.51%.

The proportion of urban population in China increased from 45.89% in 2007 to 58.52% in 2017, representing a CAGR of approximately 2.98%.

The following diagram shows the population growth and corresponding urban population growth in China from 2007 to 2017.

Figure 9 — 3 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady over the balance of this decade. Population growth, along with increasing urbanization and expansion of the middle class, are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously supports a strong demand in housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the rate will remain slightly lower at 4.0% from 2018 to 2023.

Table 9 — 3 Population Forecast of China

	2017A	2018F	2019F	2020F	2021F	2022F
Population (Million)	1,390.08	1,396.98	1,403.39	1,409.29	1,414.65	1,419.46
Unemployment rate (%)	3.90	4.00	4.00	4.00	4.00	4.00

Source: World Economic Outlook Database (October 2018), International Monetary Fund

Although the one-child policy has curbed the growth in birth rate in China, the rising trend of China's population has not been slowed down in recent decades. At the same time, a side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow over the next few decades. However, the Government recognised this trend and introduced the two-child policy, which came into effect throughout the country from October 2015. Hopefully this policy will offset the aging population structure over the next few decades.

Table 9 — 4 Age Distribution of China from 2008 to 2017 and CAGR

Age distribution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
0-14 (Million)	252	247	223	222	223	223	226	227	244	247	-0.19%
15-64 (Million)	916	975	999	1,003	1,004	1,006	1,005	1,004	907	902	-0.16%
>=65 (Million)	160	113	119	123	127	132	138	144	231	241	4.19%

Source: National Bureau of Statistics of China

4. Inflation

Managing inflation risk has been one of the key missions for the China's government over this decade. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 2.20% in November 2018 on year-over-year basis, with food prices increasing by 2.50% and non-food prices increasing by 2.10%. China is expected to continue a prudent monetary policy, reduce debt financing ratio in the state-led investment to a reasonable level and optimize financing and credit structures in the future.

In comparison to the inflation rate of the world's average and of emerging and developing economies, the outlook for China's inflation is left far behind. The continual appreciation of RMB and the dominating role of exports in the Chinese economy were the primary reasons. On one hand, with the Federal Reserve raising interest rates in March 2018, a new round of currency depreciations is expected to occur in emerging countries; on the other hand, the total import trading volume of China keeps increasing. Due to these two factors, expectation for RMB depreciation becomes much stronger and this situation has been kept prevailing in 2017.

Table 9 — 5 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2017A	2018F	2019F	2020F	2021F	2022F	2023F
World	3.20	3.78	3.83	3.59	3.41	3.35	3.35
Emerging and developing economies	4.27	5.05	5.16	4.63	4.35	4.19	4.14
China	1.56	2.19	2.38	2.65	2.80	2.90	3.00

Source: World Economic Outlook Database (October 2018), International Monetary Fund

In June 2018, the RMB weakened past the Rmb6.6 per dollar mark for the first time in six months amid expectations that China's central bank will move to prevent it from falling too far. The onshore exchange rate, which is limited by a trading band of 2% in either direction, softened 0.5% to

Rmb6.606 per dollar - the weakest level since December 2017. The less tightly managed offshore exchange rate was 0.4% weaker at Rmb6.6063. Since a currency war on top of a trade war with the US would further upset nervous markets and potentially spur capital flight, the PBOC is likely to limit moves by the currency before it weakens too much.

Figure 9 — 4 Exchange rate of RMB to USD from 2014 to 2018



Source: Bloomberg

5. Government Policy

The Chinese government's 13th Five-Year Plan (2016-2020) has supply side reform as its main focus. The plan aims at 1) maintaining modest economy growth on a balanced, inclusive and sustainable basis, targeting to double GDP and per capita income of urban and rural residents comparing to 2010 by 2020; 2) upgrading the industry towards high-end level accompanied with contributions of consumption to economic growth accounting more, and improving the urbanization rate to a higher level; 3) enhancing agricultural modernization, improving people's living standards and quality, and helping the rural poor population out of poverty; 4) improving core socialist values, ecological environment quality and social civilization significantly; 5) implementing a more mature and stereotyped political system and achieving significant progress in national governance systems and governance capacity modernization.

The 19th National Congress of the Communist Party of China commenced on 8th October 2017 with a keynote report delivered by President Xi Jinping. The Congress is China's most important political event and reviews the progress of the past five years and shapes the social and economic development for the next five-year term. President Xi's report to the Congress included a pledge to deepen supply-side structural reform; encourage innovation; reduce financial risks; reform state-owned enterprises; and expand market access to foreign companies.

In the Central Economic Work Conference held in Beijing at the end of 2018, the top leaders of the Communist Party of China emphasised that the main tasks in 2019 were as follows:

- High-quality manufacturing sector: Technological innovation will be strengthened, with the establishment of an open, coordinated and effective platform for the research and development of generic technology;
- Stronger domestic market: China will accelerate the development of the service industry, including education, childcare, elderly care, medical care, culture and tourism while improving consumption and boosting spending power;
- Rural vitalization strategy: To improve the living environment in rural areas, the country should promote garbage and sewage water treatment, carry out the toilet revolution and continue deepening rural land system reform.
- Capital market reform: China will speed up the launch of a science and technology innovation board on the Shanghai Stock Exchange and experiment with a registration system.
- Further opening-up: Market access should be loosened. Pre-establishment national treatment and the negative list management should be fully implemented to protect legitimate interests of foreign companies in China, especially intellectual property rights.
- More exports and imports: Greater efforts will be made to increase imports and exports, pushing for a more diversified export market, and cut institutional costs of importing procedures.; and
- Healthy property market: The meeting called for constructing a long-term mechanism to keep the sound development of the real estate market and adhering to the principle that “housing is for living in, not speculation.”

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulus policies.

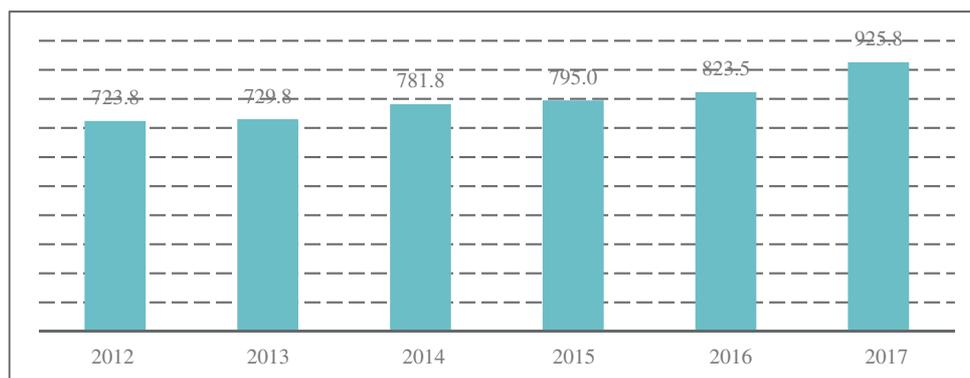
X. INDUSTRY OVERVIEW

The Road and Highway Construction industry in China has been growing rapidly in the past decade, driven by China’s urbanization, increases in automobile ownership, freight, road transportation turnover volumes, and increasing government investment.

According to the 13rd Five-Year Plan of Transportation in China issued in 2016 by the Ministry of Transport, the investment of fixed assets on road and highway construction is expected to total

RMB 7,800 billion between 2016 and 2010. Along with growing demand for highway transportation, this has supported the development of the industry over the period. According to the latest release of the Ministry, the investment in expressway construction totaled RMB 925.8 billion in 2017, with a year-on-year growth of 12.4%.

Figure 10-1 Fixed Asset Investment in Highway in China from 2012 to 2017

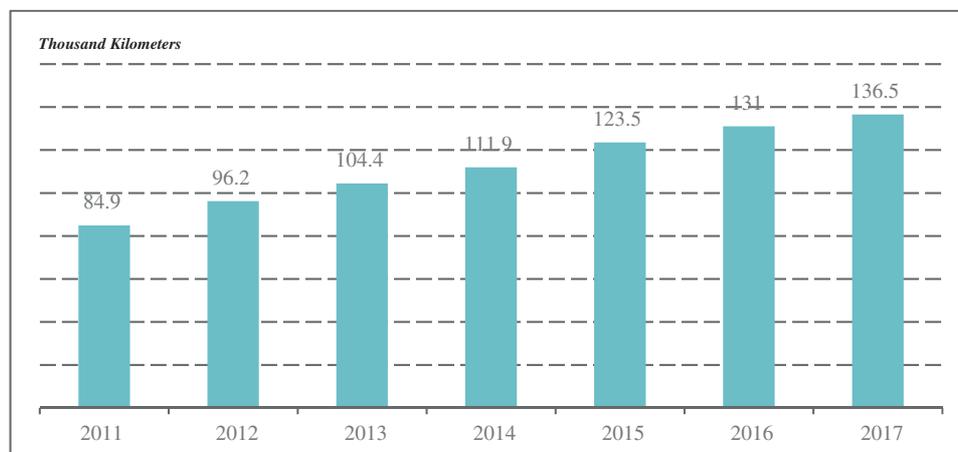


Source: Ministry of Transport of PRC

Length of Expressway

According to Transport Ministry of China, the total length of expressway in China increased from 84.9 thousand kilometers in 2011 to 136.5 thousand kilometers in 2017, implying a CAGR of 8.2%. Approximately 60.0% of the investment laid out in the 12th Five-Year Plan was earmarked for highway construction. The plan called for about 492,000 kilometers of road and 34,000 kilometers of highway to be constructed during the period. Much emphasis has been put on highway construction given the nation's growing transportation needs.

Figure 10-2 Length of Expressways in China from 2011 to 2017



Source: Ministry of Transport of PRC

Industry Development

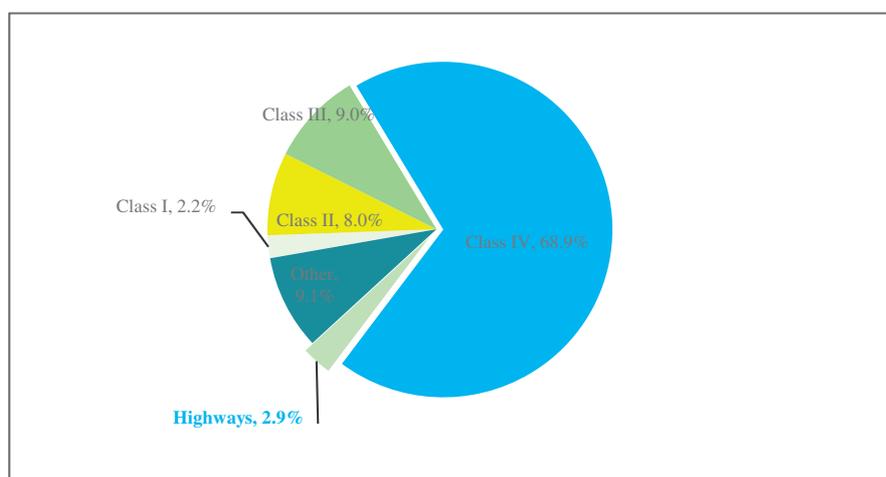
Based on the forecast by IBISWorld, in the five years through 2020, revenue for the road and highway construction industry in China is forecast to increase at an annualized rate of 6.2% to RMB 2,987 billion. Despite rising demand, industry revenue growth will be slower than in the past five years as growth in China's economy is slowing down.

More attention will also be paid to technology improvements and construction quality. The government plans to intensify renovations of provincial highways and increase the number of upgrading and rebuilding projects over the next five years. In addition, the implementation of strategies including the One Belt and One Road, Yangtze River Economic Zone and the Coordinate Development of Beijing-Tianjin-Hebei is expected to stimulate the development of the industry in China.

China's technical classifications for roads and highways are based on function and traffic volume. Classified roads are divided into five categories: highways, first-class roads, second-class roads, third-class roads and fourth-class roads.

In 2017, highways or expressways account for about 2.9% of total road mileage. The proportion of highways has been increasing in the past five years, as they connect and control exit and entry into important economic, political and cultural centres in China. About 25,000 automobiles pass through China's highways in a single day. With increasing demand for high speed and better transportation conditions, highway mileage is forecast to grow strongly.

Figure 10-3 Road Classifications in China in 2017



Source: Ministry of Transport of PRC

Toll Bridges

According to Transport Ministry of China, the total length of toll bridges in China was around 779.1 kilometers in 2017, of which loan-repaid bridges and operational bridges accounted for 144.2 Km and 643.9 Km respectively, dropped by 32% and 14%, respectively.

Table 10-1 Toll Bridges Statistics in China in 2017

Year	Loans-Repaid Nature		Operational nature	
	Length (km)	Revenue	Length (km)	Revenue
2015	215.7	235,543	791.5	1,267,133
2016	213.7	267,250	749.9	1,268,343
2017	144.2	320,143	643.9	1,676,470

Source: Ministry of Transport of PRC

XI. VALUATION METHODOLOGY

The valuation of any asset or business can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the market value analysis of that asset.

1. Cost Approach

This is a general way of determining a market value indication of a business, business ownership interest, security, intangible asset or biological asset by using one or more methods based on the value of the asset net of liabilities.

Value is established based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

2. Market Approach

This is a general way of determining a market value indication of a business, business ownership interest, security, intangible asset, or biological asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, intangible Asset or biological Asset that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the prices of two alike and similar items should be approximate to one another.

3. Income Approach

This is a general way of determining a market value indication of a business, business ownership interest, security, intangible asset or biological asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the subject company operates, and other risks specific to the asset being valued.

4. Adopted Valuation Approach

Cost approach was considered but rejected for valuation of the Equity Interests because:

- Under the cost approach, the Equity Interests are determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. If the cost approach is used, the future economic benefits from Value Idea and Fuller Sky cannot be reflected in the Equity Interests.

Market approach was considered but rejected for valuation of the Equity Interests because:

- There is a lack of comparable transactions in the public market that share similar characteristic on revenue and cost structure as the Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge; and
- Acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid under the agreement truly represents the estimate of the transaction.

We have applied income approach to the valuation of the Equity Interests because:

- The value of Equity Interests is determined by the ability to generate economic benefit streams in future;
- Economic benefit streams of Value Idea can be identified and ascertained base on the Supplemental Agreement 1 signed between Nan Chang Bridge Company and Value Idea; and
- Economic benefit streams of Fuller Sky can be identified and ascertained base on the Supplemental Agreement 2 signed between Nan Chang Bridge Company and Massive Information, which had subsequently transferred its 55.24% of the equity interests in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited to Fuller Sky in October 2006.

XII. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions had to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation were:

- There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where Value Idea and Fuller Sky are located and carrying on its businesses;
- There would be no significant deviation in the industry trends and market conditions from the current market expectation;
- There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- There would be no major changes in the current taxation law in Hong Kong, China and countries where Value Idea, Fuller Sky and the comparable companies operated;
- All relevant legal approvals, business certificates or licenses for the normal course of operation have been formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;
- Future revenue for Value Idea and Fuller Sky would not deviate significantly from the fixed pre-determined amount as per the payment schedule listed in the Supplemental Agreement 1 and Supplemental Agreement 2; and
- Value Idea and Fuller Sky would retain competent management, key personnel, and technical staff to support the ongoing operation of the companies.
- The Company would not exercise the right to require Nan Chang Bridge Company to buy back the percentage of ownership in Nan Chang Zhong Hai Xin Ba Yi Bridge Limited, Nan Chang Zhong Hai Infrastructure Company Limited, Nan Chang Hai Xing City Bridge Company Limited and Nan Chang Hai Sheng City Bridge Company Limited.

XIII. VALUATION OF EQUITY INTEREST**1. Major Assumptions of Business Valuation**

Equity value is an economic measure reflecting the value of the interest of equity owners. Our development of the equity value of Value Idea and Fuller Sky will be performed by using a discounted cash flow (“DCF”) method, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and capital expenditure requirement. The nature and underlying rationale for these assumptions will be discussed below.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from Fuller Sky and Value Idea were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \dots + \frac{E_n}{(1+k)^n}$$

$E_1, E_2, E_3, \text{ etc.} =$ Expected economic income in the 1st, 2nd, 3rd periods, and etc.

$E_n =$ Expected economic income in the last period

$k =$ Discount Rate

The total present value of the discounted cash flow represents the business enterprise value (“BEV”) of the Value Idea and Fuller Sky. We computed the equity value from the BEV by adopting the following formula:

$$\begin{aligned} \text{Equity Value} = & \text{BEV} + \text{Cash and Cash Equivalents} - \text{Total Debt} + \text{Non-operating Assets} \\ & - \text{Non-operating Liabilities} - \text{Non-controlling Interest} - \text{Preferred Shares} \end{aligned}$$

We have reviewed the calculation and discussed with the management of the Company about the validity of the financial projection. Specific assumptions to the financial projection adopted in this valuation were:

- The forecasted revenue to be received by Value Idea is a fixed pre-determined amount as per the payment schedule listed in the Supplemental Agreement 1;
- The forecasted revenue to be received by Fuller Sky is a fixed pre-determined amount as per the payment schedule listed in the Supplemental Agreement 2;
- The forecasted revenue listed in the Supplemental Agreement 1 represented the net amount to be received by Value Idea and no further expenses is expected to be borne by the Value Idea;
- The forecasted revenue listed in the Supplemental Agreement 2 represented the net amount to be received by Fuller Sky and no further expenses is expected to be borne by the Fuller Sky; and
- Withholding tax payable by Value Idea and Fuller Sky would be 10%, and such tax will be paid at the end of each year (except for 2025, which will be paid on 30 June 2025).

Our valuation is developed based on these assumptions. Shall any of the above assumptions did not materialise, the valuation result may differ. The nature and underlying rationale for the financial projection will be discussed below.

1.1. Basis of Revenue

Revenue forecast of Value idea and Fuller Sky are based on the fixed pre-determined amount as per the payment schedule listed in the Supplemental Agreement 1 and Supplemental Agreement 2, respectively.

Table 13 — 1 Revenue Forecast of Value idea

(RMB '000)	1 Oct — 31 Dec 2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Total revenue	8,918	37,550	39,530	41,620	43,820	—	—	—

Table 13 — 2 Revenue Forecast of Fuller Sky

(RMB '000)	1 Oct — 31 Dec 2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Total revenue	8,498	32,290	30,680	29,870	28,510	27,390	26,700	13,290

1.2. Basis of withholding tax

Withholding tax are expected to be paid at the end of each year (except for 2025, which will be paid on 30 June 2025).

Table 13 — 3 Withholding Tax Forecast of Value Idea

(RMB '000)	1 Oct — 31 Dec 2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Withholding tax	(892)	(3,755)	(3,953)	(4,162)	(4,382)	—	—	—

Table 13 — 4 Withholding Tax Forecast of Fuller Sky

(RMB '000)	1 Oct — 31 Dec 2018	2019	2020	2021	2022	2023	2024	1 Jan — 30 Jun 2025
Withholding tax	(850)	(3,229)	(3,068)	(2,987)	(2,851)	(2,739)	(2,670)	(1,329)

1.3. Non-Operating Assets / (Liabilities)

Per discussion with the management of the Company, the following items are unrelated to the operation of Value Idea and Fuller Sky; therefore, we have added / (subtracted) the balances of the non-operating assets / (liabilities) from the BEV for the purpose of calculating the equity value.

Table 13 — 5 Non-operating Asset and Liability of Value Idea as at the Valuation Date

Item	Group	Classification	Value (HKD)
Amounts due from fellow subsidiaries	Current Asset	Non-operating Asset	59,355,074
Other receivables	Current Asset	Non-operating Asset	70,743,292
Total non-operating Asset			130,098,366
Amounts due to immediate holding companies	Current Liability	Non-Operating Liability	(169,062,612)
Total non-operating Liability			(169,062,612)

Table 13 — 6 Non-operating Asset and Liability of Fuller Sky as at the Valuation Date

Item	Group	Classification	Value (HKD)
Amounts due from fellow subsidiaries	Current Asset	Non-operating Asset	89,938,382
Other receivables	Current Asset	Non-operating Asset	71,372,947
Total non-operating Asset			161,311,329
Amounts due to immediate holding companies	Current Liability	Non-Operating Liability	(209,549,581)
Total non-operating Liability			(209,549,581)

2. Determination of Discount Rate

We developed the cost of equity (“Re”) and the cost of debt (“Rd”) for this valuation based on the data and factors relevant to the economy, the industry, Value Idea and Fuller Sky as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital (“WACC”).

In addition, the projected cash flow received by the Target Companies is governed by Supplemental Agreement 1 and Supplemental Agreement 2 which is pre-determined, it is therefore considered that the uncertainty of projected cash flow is low. The discount rate used in calculating the equity value of Target Companies should include both the weighted average cost of capital (“WACC”), and an adjustment factor (“Adjustment Factor on WACC”) to reflect this unique characteristic of the cash flow stream received by the Target Companies.

2.1. Development of Weighted Average Cost of Capital (“WACC”)

We considered market and industry data to develop the WACC for this valuation.

The traditional formula for calculating the WACC is:

$$\text{WACC} = [(\%D) \times (R_d) \times (1 - \text{Tax Rate})] + [(\%E) \times (R_e)]$$

Where WACC: Weighted Average Cost of Capital;

%D: Weight of Interest Bearing Debt;

R_d: Cost of Debt;

%E: Weight of Equity; and

R_e: Cost of Equity

2.2. Development of Cost of Equity (“R_e”)

We considered the Modified Capital Asset Pricing Model (the “MCAPM”) to calculate the cost of equity for this valuation.

Modified Capital Asset Pricing Model

MCAPM, as applied in the valuation model, can be summarized as follows:

$$R_e = R_f + \text{Beta} \times \text{ERP} + \text{RP}_u$$

Where R_e: Cost of Equity;

R_f: Risk Free Rate;

Beta: A measure of systematic risk;

ERP: Equity Risk Premium; and

RP_u: Specific Company Adjustment

2.3. Risk Free Rate (“R_f”)

R_f was determined with reference to the yields of the China government bonds. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted, which was approximately 7 years in the present case. Therefore, we have relied on the 7-Years China Government Bond yield as at the Valuation Date.

2.4. Equity Risk Premium (“ERP”)

We adopted recent ERP of the market where Value Idea and Fuller Sky is located. The ERP of the United States market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the Value Idea and Fuller Sky is located to obtain the ERP. The ERP of the United States equity market is referred to the ERP published by Prof. Aswath Damodaran of New York University.

2.5. Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas for 8 publicly traded guideline companies (the “Guideline Public Companies”) for this valuation. The betas of the Guideline Public Companies were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the m of the Guideline Public Companies’ capital structure.

Selection of the Guideline Public Companies

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of Re. One would start with a description of Value Idea and Fuller Sky, in terms of lines of business, markets served, size and other criteria.

For this particular engagement, we have carried our research for relevant listed companies which are primarily engaged in operation and management of toll roads, highways, tunnels and bridges in China. We have performed the above mentioned research and selection with reasonable efforts and due cares to ensure the suitability, completeness and reasonableness of those companies, and the result derived from the comparable companies is conclusive and fair.

The following is the list of Guideline Public Companies that we have reviewed in connection this valuation:

Table 13 — 7 Guideline Public Companies

Guideline Public Companies	Ticker	Business Activities
1. Sichuan Expressway Co Ltd	107 HK	<ul style="list-style-type: none"> Invests and builds toll highway, bridge, tunnel and other traffic projects.
2. Shenzhen International Holdings Ltd	152 HK	<ul style="list-style-type: none"> Provides investment, construction and operation of logistic infrastructure facilities.
3. Jiangsu Expressway Co Ltd	177 HK	<ul style="list-style-type: none"> Provides highway investment, construction and maintenance services.
4. Shenzhen Expressway Co Ltd	548 HK	<ul style="list-style-type: none"> Constructs, manages and operates toll highways and expressways in China.
5. Zhejiang Expressway Co Ltd	576 HK	<ul style="list-style-type: none"> Designs, constructs, operates and manages high grade roads.
6. Yuexiu Transport Infrastructure Ltd	1052 HK	<ul style="list-style-type: none"> Develops, operates and manages toll highways, expressways and bridges in China.

Guideline Public Companies	Ticker	Business Activities
7. Shandong Hi-speed Co Ltd	600350 CH	• Provides investment, maintenance and consulting services for high-grade roads, bridges and tunnel infrastructure.
8. Xiandai Investment Co Ltd	000900 CH	• Builds and maintains toll roads, bridges and tunnels.

Source: Bloomberg

Table 13 — 8 Summary of Beta

Median Un-Levered Beta

0.486

Median Re-levered Beta

0.815

2.6. Specific Company Adjustment (“ RP_u ”)

RP_u for unsystematic risk attributable to the specific company is determined to account for additional risk factors specific to this valuation.

Firm specific risk factors may include the following:

- Abnormal competition
- Customer concentration
- Size smaller than the Guideline Public Companies
- Poor access to capital
- Thin management
- Lack of business diversification
- Potential environment issue
- Potential litigation
- Narrow distribution channels

- Obsolete technology
- Dim company outlook

In this valuation, both Value Idea and Fuller Sky are private companies, it is reasonable that a rational investor would require an additional risk premium in order to compensate the liquidity risk. Accordingly, we considered an additional 3% R_{Pu}, on the unadjusted value of the Equity Interests to reasonably reflect these specific factors.

Table 13 — 9 Cost of Equity

MCAPM

Risk Free Rate (“R _f ”)	3.65%
Beta	0.815
Equity Risk Premium (“ERP”)	5.89%
Specific Company Adjustment (“R _{Pu} ”)	3.00%
Cost of Equity (“R_e”)	11.45%

2.7. Development of Cost of Debt (“R_d”)

In order to estimate the cost of debt for this valuation, we relied on China Above 5 years lending benchmark lending rate, which is 4.90% as at the Valuation Date.

2.8. Weighted Average Cost of Capital (“WACC”)

WACC (being the discount rate for this valuation) is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise’s capital structure. We have “levered” the Value Idea and Fuller Sky as if it mirrored the median capital structure as the Guideline Public Companies on the assumption that over time, Value Idea and Fuller Sky would approach the Guideline Public Companies’ median capital structure to remain competitive. Subsequent to the calculations of cost of equity and cost of debt, the following equation is used to develop the WACC:

$$\text{WACC} = [(\%D) \times (R_d) \times (1-\text{Tax Rate})] + [(\%E) \times (R_e)]$$

The calculation of the WACC, or the discount rate, therefore becomes:

Table 13 — 10 Weighted Average Cost of Capital for Value Idea and Fuller Sky

WACC	
Weight of Interest Bearing Debt (%D)	47.39%
× Cost of Debt (“R _d ”)	4.90%
× (1 — Tax Rate)	75.00%
Weighted Cost of Debt	1.74%
+	
Weight of Equity (%E)	52.61%
× Cost of Equity (“R _e ”)	11.45%
Weighted Cost of Equity	6.02%
WACC	7.76%

2.9. Adjustment Factor on WACC

The Supplemental Agreement 1 and Supplemental Agreement 2 stated that the Target Companies will receive a fixed pre-determined cash flow stream. From Target Companies point of view, such factor will reduce their financial uncertainty in the future.

By considering the point as above, we considered applying additional -1% as an adjustment factor on discount rate, which will be used to discount the cash flow to be received by the Target Companies. Therefore, the discount rate applied to the valuation is modified as follow:

$$\text{Discount rate} = \text{WACC} + \text{Adjustment Factor on WACC}$$

Table 13 — 11 Discount rate applied for Value Idea and Fuller Sky

Discount rate applied to the valuation

WACC	7.76%
Adjustment Factor on WACC	-1.00%
Discount rate applied to the valuation	6.76%

3. Determination of Value

Based on the investigation and analysis stated above and on the valuation method employed, it was our opinion that the market value of the Equity Interests as at the Valuation Date were as follows:

Table 13 — 12 Equity Interest in Value Idea as at the Valuation Date

Value Idea		30 September 2018
100% BEV	RMB	134,005,603
RMB to HKD conversion rate		0.87781 RMB = 1 HKD
100% BEV	HKD	152,659,007
Add: Non-operating Asset	HKD	130,098,366
Less: Non-operating Liability	HKD	(169,062,612)
100% Equity Interest in Value Idea	HKD	113,694,761
100% Equity Interest in Value Idea (rounded)	HKD	114,000,000

Table 13 — 12 Equity Interest in Fuller Sky as at the Valuation Date

Fuller Sky		30 September 2018
100% BEV	RMB	144,781,003
RMB to HKD conversion rate		0.87781 RMB = 1 HKD
100% BEV	HKD	164,934,328
Add: Non-operating Asset	HKD	161,311,329
Less: Non-operating Liability	HKD	(209,549,581)
100% Equity Interest in Fuller Sky	HKD	116,696,076
100% Equity Interest in Fuller Sky (rounded)	HKD	117,000,000

XIV. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods and the respective valuation bases that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of Value Idea and Fuller Sky are discussed.

Cost Approach

Application Rejected

Market Approach

Application Rejected

Income Approach

Discounted Cash Flow Method (Value Idea) HKD114,000,000 (rounded)

Discounted Cash Flow Method (Fuller Sky) HKD117,000,000 (rounded)

Application Accepted

XV. SENSITIVITY ANALYSIS

1. Equity Interest in the Value Idea

The discount rate adopted play pivotal roles in the valuation as it is very sensitive to the market value of Equity Interest in the Value Idea. The market values of the Equity Interest in the Value Idea under different discount rates are presented below:

Table 15 — 1 Sensitivity Analysis of the Equity Interest in the Value Idea

Discount Rate (%)	100% Equity Interest in the Value Idea (HKD)
4.76%	120,000,000
5.76%	117,000,000
6.76%	114,000,000
7.76%	111,000,000
8.76%	108,000,000

Table 15 — 2 Sensitivity Analysis of the Equity Interest in the Fuller Sky

Discount Rate (%)	100% Equity Interest in the Fuller Sky (HKD)
4.76%	126,000,000
5.76%	121,000,000
6.76%	117,000,000
7.76%	112,000,000
8.76%	108,000,000

XVI. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company, Value Idea and Fuller Sky.

The opinions expressed in this report have been based on the information supplied to us by Value Idea, Fuller Sky and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of Value Idea and Fuller Sky. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it is our opinion that the market value of the 100% equity interest in Value Idea Investments Limited and 100% equity interest in Fuller Sky Enterprises Limited as at 30 September 2018 are as follows:

As at 30 September 2018	HKD
Market value of 100% equity interest in Value Idea Investments Limited (rounded)	114,000,000
Market value of 100% equity interest in Fuller Sky Enterprises Limited (rounded)	117,000,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,

For and on behalf of

GREATER CHINA APPRAISAL LIMITED

Victor C.W. Siu, CFA, AICPA

Director

Analysed and Reported by:

Duncan T.K. Wong, CFA, MBA, MEng

Manager, Business Valuation & Transaction Advisory

22 February 2019



羅兵咸永道

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE
BUSINESS VALUATION OF VALUE IDEA INVESTMENTS LIMITED AND FULLER SKY
ENTERPRISES LIMITED****TO THE BOARD OF DIRECTORS OF FAR EAST GLOBAL GROUP LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 22 February 2019 prepared by Greater China Appraisal Limited in respect of the appraisal of the market value of the 100% equity interests in Value Idea Investments Limited and Fuller Sky Enterprises Limited (the "Target Companies") is based. The Valuation is set out in Appendix I of the circular of Far East Global Group Limited (the "Company") dated 22 February 2019 (the "Circular") in connection with the acquisition by the Company of the 100% equity interest in the Target Companies by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages I-17 to I-20 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 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.

Auditor's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Companies.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages I-17 to I-20 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on pages I-17 to I-20 of the Circular.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 February 2019

The biographical details of the Retiring Directors are set out below:

Mr. Zhang Haipeng — *Chairman and Non-executive Director*

Aged 42, is Chairman of the Board and Non-executive Director appointed on 18 August 2018. Mr. Zhang is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. He graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined 中國建築集團有限公司 (China State Construction Group Limited*, “CSCGL”) in 2000 and was seconded to CSC in 2002. He has been a director of certain subsidiaries of CSC since 2008. Currently, Mr. Zhang is an executive director and chief executive officer of CSC. CSCGL and CSC are controlling Shareholders. He has over 19 years’ experience in construction engineering management.

As at the Latest Practicable Date, Mr. Zhang is interested in 3,078,000 shares in the Company and 774,000 shares in China State Construction Engineering Corporation Limited (“CSCECL”).

There is a letter of appointment entered into between the Company and Mr. Zhang for his appointment as a Non-executive Director for a term of three years commencing on 18 August 2018 subject to retirement in accordance with the Articles of Association. In support of the Company’s development Mr. Zhang will not receive any director’s fee for his term of appointment.

Mr. Wu Mingqing — *Vice Chairman, Executive Director and Chief Executive Officer*

Aged 54, is Vice Chairman of the Board, Executive Director and Chief Executive Officer of the Company appointed on 18 August 2018. Mr. Wu is also a member of the Nomination Committee and Remuneration Committee. He is a director of the Company’s subsidiaries. Mr. Wu graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Accountant. He joined CSCGL in 1986 and was seconded to CSC in 2000. Mr. Wu has been a director of certain subsidiaries of CSC since 2002. He was an executive director of CSC between June 2014 and August 2018. Mr. Wu has over 33 years’ experience in financial management, construction engineering, infrastructure investment and project management.

As at the Latest Practicable Date, Mr. Wu is interested in 294,000 shares in CSCECL.

Mr. Wu has entered into a service agreement with the Company which is subject to termination at any time by either party giving to the other 3 months’ notice in writing. He is subject to retirement in accordance with the Articles of Association. Mr. Wu currently receives an emolument at the rate of HK\$146,000 per month which was determined with reference to his job responsibilities in the Company and the prevailing market conditions. According to the service agreement, he is further entitled to have discretionary bonus (which may depend on the overall performance of the Company, individual performance and contribution, and the prevailing economic situation and market practice or other relevant factors) determined by the Board or the Remuneration Committee in its absolute discretion from time to time.

Save as disclosed above, neither Mr. Zhang nor Mr. Wu (1) have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders, (2) have any interests in Shares, underlying Shares or debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO), (3) hold any directorships in listed public companies in Hong Kong or overseas in the last three years, or (4) have any other information that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

* *For identification purpose only*

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 enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Number of ordinary shares in the Company held	% of shares in the Company in issue¹
Zhang Haipeng	Beneficial owner	3,078,000	0.143%
Chan Sim Wang	Beneficial owner	50,000	0.002%
Huang Jiang	Beneficial owner	1,000,000	0.046%

Note:

- The percentage is based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 2,155,545,000 ordinary shares).

Long positions in shares and underlying shares of associated corporations

As at the Latest Practicable Date:

- Mr. Zhang Haipeng held 774,000 A-shares of China State Construction Engineering Corporation Limited (“CSCECL”) in the capacity as beneficial owner, representing approximately 0.002% of the issued voting shares of CSCECL;
- Mr. Wu Mingqing held 294,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL;

- (iii) Mr. Wang Hai held 210,000 A-shares of CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL;
- (iv) Mr. Chan Sim Wang held 32,400 ordinary shares in CSC in the capacity as beneficial owner, representing approximately 0.001% of the issued shares of CSC; and
- (v) Mr. Huang Jiang held 210,000 A-shares of CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL.

The Company was informed that all the interests in A-shares in CSCECL held by the Directors as set out above were granted to them by CSCECL pursuant to its share award scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and 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:

Name of Director	Name of companies which had such discloseable interest or short position	Position with such companies
Zhang Haipeng	CSC	Executive Director and Chief Executive Officer
	Add Treasure Holdings Limited	Director
Wu Mingqing	Add Treasure Holdings Limited	Director

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

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

MATERIAL ADVERSE CHANGE

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 accounts of the Company were made up.

COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, Messrs. Zhang Haipeng, Wu Mingqing, Wang Hai, Chan Sim Wang and Huang Jiang held directorships and/or senior management positions in the Company's holding companies and/or their subsidiaries. These companies are engaged in construction, infrastructure investments and related business.

The Board is independent of the boards of directors of the Company's holding companies and their subsidiaries. With the presence of appropriate portion of independent non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of its holding group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed Directors or their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any competing interests in a business which competes or is likely to compete with the business of the Group.

EXPERT

The following is the qualification of the expert who had given its opinion and advice which are contained in this circular:

Name	Qualification
Red Sun Capital Limited	A corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance)
Greater China Appraisal Limited	an independent qualified valuer in Hong Kong engaged in valuation
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

- (a) As at the Latest Practicable Date, Red Sun Capital Limited, Greater China Appraisal Limited and PricewaterhouseCoopers had no shareholding 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.
- (b) Each of Red Sun Capital Limited, Greater China Appraisal Limited and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (c) As at the Latest Practicable Date, Red Sun Capital Limited, Greater China Appraisal Limited and PricewaterhouseCoopers did not have any direct or indirect interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Each of (i) the letter from Red Sun Capital Limited; (ii) the valuation report of Greater China Appraisal Limited; and (iii) the letter from PricewaterhouseCoopers is given as of the date of this circular for incorporation herein.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong from the date of this circular up to and including 20 March 2019 (except Saturdays and Sundays) and will be available for inspection at the EGM:-

- (i) the Sale and Purchase Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (iii) the letter from the Red Sun Capital Limited, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (iv) the valuation report of Greater China Appraisal Limited, the text of which is set out in Appendix I to this circular;
- (v) the letter from PricewaterhouseCoopers relating to profit forecast, the text of which is set out in Appendix II to this circular; and
- (vi) the letter of consent from each expert referred to under the section headed “Expert” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



遠東環球集團有限公司

FAR EAST GLOBAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 830)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Far East Global Group Limited (the “**Company**”) will be held at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 March 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTION

1. “**THAT:**

- (A) the Sale and Purchase Agreement (as defined in the circular of the Company dated 22 February 2019 of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

SPECIAL RESOLUTION

2. “**THAT** subject to and conditional upon the necessary approval of the Registrar of Companies in the Cayman Islands being obtained, the English name of the Company be changed from “Far East Global Group Limited” to “CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED” and to change the dual foreign name of Company in Chinese from “遠東環球集團有限公司” to “中國建築興業集團有限公司” and any one director of the Company be and is hereby authorised to do all such acts, deeds, matters and things as he or she may in his or her absolute discretion consider necessary or desirable or expedient for the implementation of and giving effect to the aforesaid change of name of the Company and to attend to any necessary registration and/or filing for and on behalf of the Company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTIONS

3. “**THAT:**

each as a separate resolution:

(A) Mr. Zhang Haipeng be re-elected as Director; and

(B) Mr. Wu Mingqing be re-elected as Director.”

By Order of the Board
Far East Global Group Limited
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 22 February 2019

*Head Office and Principal Place of
Business in Hong Kong:*
16th Floor, Eight Commercial Tower
No. 8 Sun Yip Street
Chai Wan
Hong Kong

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes:

1. A form of proxy for the meeting is enclosed.
2. Only members are entitled to attend and vote at the meeting (or at any adjournment thereof).
3. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
5. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the proxy form shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. The register of members of the Company will be closed from Friday, 15 March 2019 to Wednesday, 20 March 2019, both days inclusive, for the purpose of determining members' entitlement to attend and vote at the meeting. In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 March 2019.