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# **FAR EAST CONSORTIUM INTERNATIONAL LIMITED**

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

Website: <http://www.fecil.com.hk>

**(Stock Code: 35)**

## **DISCLOSEABLE TRANSACTION**

The Directors announce that on 6 September 2006, the Agreement was entered into between the Purchaser and the Vendor pursuant to which (i) the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing the entire issued share capital of Subang; and (ii) the Purchaser has conditionally agreed to repay part of the Inter-Company Debt to the extent of the Agreed Repayment owed by Subang to the Vendor and the Vendor has conditionally agreed to transfer by way of novation the Remainder Debt pursuant to the Novation Agreement. The Consideration is capped at approximately RM120 million (equivalent to approximately HK\$253 million) of which a RM12 million (equivalent to approximately HK\$25 million) deposit, being 10% of the total Consideration (without interest) was paid by the Purchaser to the Vendor on the date of the Agreement.

Subang is principally engaged in property holdings. Its principal asset is its entire interest in the Subang Hotel. Upon Completion, all charges, debentures and other Security Interest of Subang will be released. The Board considers that the Acquisition represents a good opportunity for the Group to strengthen its existing hotel portfolio and provides a platform for the Group to capture the future growth of tourism business in Malaysia.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Directors consider that the terms of the Acquisition are on normal commercial terms, determined after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, further information on the Acquisition will be sent to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **THE AGREEMENT**

**Date:** 6 September 2006

### **Parties:**

**Vendor:** Jeram Bintang Sdn Bhd

**Purchaser:** Wanchope Limited, a wholly-owned subsidiary of the Company

To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Assets to be acquired:**

- (i) the Sale Shares, representing the entire issued share capital of Subang; and
- (ii) the Remainder Debt.

Subang, as set out in more detail below, is principally engaged in property holdings. Its principal asset is the Subang Hotel.

### **Consideration:**

The Consideration comprises RM1 (equivalent to approximately HK\$2) for the Sale Shares and RM120 million (equivalent to approximately HK\$253 million) as the repayment of the Inter-Company Debt on behalf of Subang, of which a RM12 million (equivalent to approximately HK\$25 million) deposit, being 10% of the total Consideration (without interest) was paid by the Purchaser to the Vendor on the date of the Agreement. The remaining balance of the Consideration of approximately RM108 million (equivalent to approximately HK\$228 million) is to be satisfied by the Purchaser by cash and is payable upon Completion. The

Consideration was and will be financed from the Group's internal resources. Under the Agreement, the Consideration of the acquisition is capped at approximately RM120 million (approximately HK\$253 million). The Consideration has been agreed between the Purchaser and the Vendor on an arm's length basis with reference to (i) an independent valuation on the Subang Hotel, of which three valuation methods, namely comparison method, replacement cost method and capitalisation method were used; and (ii) the total equity of Subang and shareholders' loan owed by Subang to the Purchaser immediately after Completion.

**Conditions precedent:**

Completion is conditional upon the following conditions being obtained and/or satisfied or waived (as the case may be):

- (i) the approval of the board of directors of the Purchaser for the purchase of the Sale Shares;
- (ii) the approval of the bondholders of the Vendor to the sale and purchase of the Sale Shares;
- (iii) the approval of the FIC being obtained by the Purchaser for the sale and purchase of the Sale Shares and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement (if required);
- (iv) the approval of BNM being obtained by the Purchaser for the sale and purchase of the Sale Shares and the repayment (on behalf of Subang) of the part of the Inter-Company Debt to the extent of the Agreed Repayment and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement; and
- (v) the approval of any other Appropriate Authorities (other than FIC) for the sale and purchase of the Sale Shares by the Purchaser and the Vendor and the repayment (on behalf of Subang) of the part of the Inter-Company Debt to the extent of the Agreed Repayment and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement (if required).

In the event that any of the above conditions have not been obtained and/or satisfied (or otherwise waived by the Purchaser or Vendor) within two months from the date of the Agreement or such other period as may be mutually agreed by the Purchaser and the Vendor, then either the Purchaser or the Vendor shall be at liberty to terminate the Agreement.

As at the date of this announcement, none of the Purchaser or the Vendor intend to waive any of the above conditions.

### **Completion:**

Completion will take place within three months after the Agreement has become unconditional or three months from the date of the Agreement, whichever is later (or such other date as the Purchaser and the Vendor may agree).

### **Upon Completion:**

- (i) Remainder Debt will be transferred by way of novation to the Purchaser pursuant to the Novation Agreement (if required); and
- (ii) all charges, debentures and other Security Interest of Subang will be released.

## **INFORMATION ON SUBANG**

Subang is a property holding company and its principal asset is its entire interest in the Subang Hotel.

The Subang Hotel is a five-star hotel opened in Kuala Lumpur and located at Lot Nos. 4244 and 4245 within Mukin of Damansara, District of Petaling, Selangor Darul Ehsan, Malaysia. The hotel mainly comprises of three hotel blocks with a gross floor area of approximately 54,476 square meter. The Subang Hotel has a total of 502 guests rooms with ancillary facilities. The Subang Hotel is situated close to the central area of Kuala Lumpur with convenient transportation to many of the landmarks and tourist attractions in Kuala Lumpur. The Subang Hotel is currently operated by Sheraton Overseas Management Corporation under a hotel management agreement.

Set out below are the financial results of Subang for each of the two years ended 31 December 2005 prepared in accordance with Malaysian accounting standards, which are comparable with International Financial Reporting Standards:

	<b>2005</b> <i>RM'000</i> <i>(unaudited)</i> <i>(HK\$'000 equivalent)</i>	<b>2004</b> <i>RM'000</i> <i>(audited)</i> <i>(HK\$'000 equivalent)</i>
Turnover	44,487 (93,868)	43,225 (91,205)
Profit before taxation	4,508 (9,512)	5,667 (11,957)
Profit attributable to the shareholder of Subang	4,508 (9,512)	5,667 (11,957)

As at 31 December 2005, the unaudited net liabilities value of Subang was approximately RM178 million (equivalent to approximately HK\$376 million). As at 31 December 2005, the unaudited balance of the Inter-Company Debt amounted to approximately RM352 million. Taking into account (i) the Agreed Repayment of RM120 million; and (ii) the novation of the Remainder Debt pursuant to the Novation Agreement, the unaudited net liabilities value of Subang will be reduced to approximately RM58 million (equivalent to approximately HK\$122 million) (which include the shareholders' loan owed by Subang to the Purchaser of approximately RM232 million (equivalent to approximately HK\$490 million)) immediately following the completion of the Novation Agreement) upon Completion.

## **REASONS FOR THE ACQUISITION**

The principal activities of the Group are property development and investment, hotel operations, loan financing for hotel operations and securities investment and trading. As at the date of this announcement, the Group has 6 hotels in Hong Kong, 1 hotel in Malaysia and 1 hotel in USA. In addition to the aforesaid 6 hotels in Hong Kong, there are 3 other new hotels in Hong Kong under development. The Group is actively seeking investment opportunities in the hospitality industry, both in Hong Kong and overseas.

The Board considers that the Acquisition represents a good opportunity for the Group for strengthen its existing hotel portfolio and provides a platform to the Group to capture the future growth of tourism business in Malaysia. Upon Completion, the financial results of Subang will be consolidated into the Group's financial statements. The Directors consider that the terms of the Acquisition are on normal commercial terms, determined after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further information on the Acquisition will be sent to the Shareholders as soon as practicable in accordance with the Listing Rules.

## DEFINITIONS

“Acquisition”	the acquisition by the Purchaser for the entire equity interest in Subang and the agreement by the Purchaser to repay part of the Inter-Company Debt to the extent of the Agreed Repayment
“Agreed Repayment”	RM120 million (equivalent to approximately HK\$253 million)
“Agreement”	the agreement entered into between the Purchaser and the Vendor on 6 September 2006 regarding the Acquisition
“Appropriate Authorities”	any governmental department, semi or quasi-governmental department or statutory body of agency
“BNM”	Bank Negara Malaysia
“Board”	the board of Directors
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“connected persons”	has the meaning as defined in the Listing Rules
“Consideration”	the consideration of RM1 for the Sale Shares and the repayment of the part of the Inter-Company Debt to the extent of the Agreed Repayment to the Vendor
“Directors”	directors of the Company
“FIC”	Foreign Investment Committee of the Prime Minister’s Department of Malaysia
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Inter-Company Debt”	the amount of indebtedness owed by Subang to the Vendor from time to time

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novation Agreement”	the novation agreement to be entered into among the Vendor, Subang and the Purchaser, so as to transfer by way of novation the Remainder Debt to the Purchaser
“Purchaser”	Wanchope Limited, a company incorporated in The British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“RM”	Malaysia Ringgit, the lawful currency in Malaysia
“Remainder Debt”	the Inter-Company Debt remain outstanding as at the date of Completion after taking into account (i) the repayment paid by the Purchaser on behalf of Subang of an amount equal to the Agreed Repayment; and (ii) all repayments by Subang up to the date of the Completion
“Sale Sales”	36,311,609 ordinary share of RM1.00 each in Subang registered in the name of and held beneficially by the Vendor in the capital of Subang
“Security Interest”	mortgages, liens, pledges, charges (fixed or floating), assignment by way of securities, hypothecation or other security interests (or agreement(s) or commitment(s) to create any of them)
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subang”	Subang Jaya Hotel Development Sdn Bhd, a company incorporated in Malaysia with limited liability
“Subang Hotel”	“Sheraton Subang Hotel”, a five-star hotel with a total of 502 guests rooms located at Lot Nos. 4244 and 4245 within Mukin of Damansara, District of Petaling, Selangor Darul Ehsan, Malaysia

“Vendor”

Jeram Bintang Sdn Bhd, a company incorporated in Malaysia with limited liability.

“%”

percentage

By Order of the Board  
**FAR EAST CONSORTIUM INTERNATIONAL LIMITED**  
**David Chiu**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 14 September 2006

*For illustration purposes, an exchange rate of RM1.00 = HK\$2.11 has been adopted.*

*As at the date of this announcement, the Board of Directors of the Company comprises four executive directors, namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Dennis Chiu and Mr. Craig Grenfell Williams; three non-executive directors, namely Madam Ching Lan Ju Chiu, Mr. Dick Tat Sang Chiu and Mr. Daniel Tat Jung Chiu; and three independent non-executive directors namely Mr. David Kwok Kwei Lo, Mr. Jian Yin Jiang and Mr. Kwok Wai Chan.*



*Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.*