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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)



Kosmopolito Hotels International Limited

麗悦酒店集團有限公司

*(Incorporated in the Cayman Islands with
limited liability)*
Website: <http://www.kosmohotels.com>
(Stock Code: 2266)

**JOINT ANNOUNCEMENT
MAJOR TRANSACTION INVOLVING
DISPOSAL OF A PROPERTY-HOLDING SUBSIDIARY**

THE DISPOSAL

The respective Boards of FEC and KHI wish to announce that on 25 May 2012, the Seller, the Purchaser and KHI entered into the Sale and Purchase Agreement, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan, at the aggregate consideration of HK\$800,000,000 and KHI has agreed to guarantee the due performance by the Seller of its obligations and responsibilities under the Sale and Purchase Agreement.

The Sale Shares represent the entire issued share capital of the Company and the Sale Loan represents the entire amount of the shareholder's loan owing by the Company to the Seller. The Company is the registered and beneficial owner of the Property at which Dorsett Regency Hotel, Hong Kong is located.

LISTING RULES IMPLICATIONS

KHI is a non-wholly owned subsidiary of FEC and the Seller is a wholly-owned subsidiary of KHI and a non-wholly owned subsidiary of FEC. As at least one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is greater than 25% but less than 100% for both FEC and KHI, the Disposal constitutes a major transaction for both FEC and KHI under Chapter 14 of the Listing Rules.

Under the Listing Rules, the Disposal is subject to the approval of the shareholders of FEC. A circular containing, amongst other things, details of the Disposal and a notice of the FEC EGM will be despatched to the shareholders of FEC on or before 27 June 2012 in accordance with the Listing Rules.

Under the Listing Rules, the Disposal is subject to the approval of the shareholders of KHI. FEC, through its wholly-owned subsidiary, Ample Bonus Limited, holds 1,462,000,000 shares of KHI, representing approximately 73.1% of the issued share capital of KHI. Since none of the shareholders of KHI is required to abstain from voting on the Disposal, written approval of Ample Bonus Limited has been obtained for the purpose of approving the Disposal in lieu of an approval from the shareholders of KHI at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules. A circular containing, amongst other things, details of the Disposal will be despatched to the shareholders of KHI on or before 27 June 2012 in accordance with the Listing Rules as it is anticipated that more time is required for preparation of information required to be included in the circular, including but not limited to the valuation report in relation to the Property.

THE SALE AND PURCHASE AGREEMENT

On 25 May 2012, the Seller, the Purchaser and KHI entered into the Sale and Purchase Agreement, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan, at the aggregate consideration of HK\$800,000,000 and KHI has agreed to guarantee the due performance by the Seller of its obligations and responsibilities under the Sale and Purchase Agreement.

Parties

- (a) Havena Holdings Limited, a wholly-owned subsidiary of KHI and a non wholly-owned subsidiary of FEC, as the Seller;
- (b) CCB Properties (Hong Kong) Holdings Limited, as the Purchaser; and
- (c) Kosmopolito Hotels International Limited, as guarantor of the Seller.

To the best of the knowledge, information and belief of the FEC Directors and the KHI Directors having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner(s) of the Purchaser are third parties independent of both FEC and KHI and the connected persons (as defined under the Listing Rules) of both FEC and KHI.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing the entire issued share capital of the Company, and the Sale Loan, representing the entire amount of the shareholder's loan owing by the Company to the Seller.

The Company is a company incorporated in Hong Kong with limited liability on 16 February 1993. The principal activity of the Company is the operation and management of the Hotel located at 18 Davis Street, Hong Kong and the related facilities and the Company is the registered and beneficial owner of the Property.

The audited net liabilities of the Company as at 31 March 2011 were HK\$167,797,931. The net losses of the Company before and after taxation for the year ended 31 March 2011 were HK\$402,166 and HK\$402,166 respectively; and the net losses of the Company before and after taxation for the year ended 31 March 2010 were HK\$75,531 and HK\$75,531 respectively.

The Company is currently a wholly-owned subsidiary of KHI. After Completion, KHI will no longer have any interests in the Company and the Company will cease to be a subsidiary of KHI. Moreover, KHI will cease to manage and operate the Hotel and the Hotel will cease to make use of the Dorsett trademark with immediate effect after Completion.

Consideration

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$800,000,000, out of which:

- (a) the consideration for the sale and assignment of the Sale Loan shall be an amount equal to the Sale Loan on a dollar for dollar basis (the "**Loan Consideration**"); and
- (b) the Consideration less the Loan Consideration shall be the consideration for the purchase of the Sale Shares.

The Consideration shall be satisfied in the following manner:

- (a) a sum of HK\$80,000,000 has been paid by the Purchaser to the Seller upon signing of the Sale and Purchase Agreement as deposit; and
- (b) the balance of the Consideration is to be paid by the Purchaser to the Seller upon Completion, after deduction of approximately HK\$175,000,000 for full repayment of the outstanding mortgage loan due and owing by the Company.

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser.

The Consideration reflects the fair market value of the Property and the operating assets used by the Company to operate the Hotel.

Condition precedent

Completion is conditional upon the approval by the shareholders of KHI and approval by the shareholders of FEC (in the manner as provided under the Listing Rules or the applicable laws, rules and regulations) of the Sale and Purchase Agreement and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules.

If the above condition is not fulfilled by 31 August 2012 (or such other date as the parties may agree), the deposit paid to the Seller shall be returned to the Purchaser, whereupon the Sale and Purchase Agreement shall lapse and no party to such agreement shall have any claim or liability to the others save for antecedent breaches.

Warranties and indemnities by the Seller

Customary warranties (including those in relation to title to assets, accounts, litigations, etc.) have been given by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement. At Completion, a deed of tax indemnity would be entered into by the Seller pursuant to which the Seller agreed to indemnify the Purchaser in respect of certain liabilities for Hong Kong taxation incurred by the Company on or before Completion.

Completion

Completion shall take place on 28 September 2012 or such other date as may be agreed between the Seller and the Purchaser in writing.

Guarantee

KHI has as primary obligor guaranteed to the Purchaser the due performance by the Seller of its obligations and responsibilities under the Sale and Purchase Agreement and the deed of tax indemnity.

INFORMATION ON FEC, KHI AND THE PURCHASER

FEC is an investment holding company. The principal business activities of the FEC Group comprise property development and investment, hotel operation, car park operation and treasury management.

KHI is an investment holding company. The principal business activities of the KHI Group comprise developing, owning and operating value, mid-scale, upscale and boutique hotels, and property investment, development and trading.

The Purchaser is principally engaged in investment holding.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The KHI Directors consider the Disposal would enable the KHI Group to realize the long term investment return which KHI Group has created for KHI having developed, and since commencement of operations, operated the Hotel at the full market valuation. Moreover, the Disposal would provide additional cash resources for the KHI Group to further broaden the portfolio of KHI by taking advantage of other attractive investment opportunities in Hong Kong and/or overseas. The FEC Directors consider that FEC, as the ultimate holding company of KHI, would in turn benefit from the Disposal.

Both the FEC Directors and the KHI Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the FEC Group, the KHI Group, and their respective shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The KHI Directors estimate that upon Completion, KHI Group is expected to record a gain from the Disposal of approximately HK\$450,000,000, such gain having been arrived at by reference to the terms of the Disposal and the carrying book value of the Company in the accounts of KHI.

The FEC Directors estimate that upon Completion, FEC Group is expected to record a gain from the Disposal of approximately HK\$329,000,000, such gain having been arrived at by reference to the terms of the Disposal and the carrying book value of the Company in the accounts of FEC.

USE OF PROCEEDS

The KHI Directors expect that the proceeds will be in part retained as capital for future investment opportunities of KHI Group and in part used as general working capital. The KHI Directors will consider recommending part of the profit arising from the Disposal to be distributed as dividends to the shareholders of KHI.

LISTING RULES IMPLICATIONS

KHI is a non-wholly owned subsidiary of FEC and the Seller is a wholly-owned subsidiary of KHI and a non-wholly owned subsidiary of FEC. As at least one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is greater than 25% but less than 100% for both FEC and KHI, the Disposal constitutes a major transaction for both FEC and KHI under Chapter 14 of the Listing Rules.

Under the Listing Rules, the Disposal is subject to the approval of the shareholders of FEC. A circular containing, amongst other things, details of the Disposal and a notice of the FEC EGM will be despatched to the shareholders of FEC on or before 27 June 2012 in accordance with the Listing Rules.

Under the Listing Rules, the Disposal is subject to the approval of the shareholders of KHI. FEC, through its wholly-owned subsidiary, Ample Bonus Limited, holds 1,462,000,000 shares of KHI, representing approximately 73.1% of the issued share capital of KHI. Since none of the shareholders of KHI is required to abstain from voting on the Disposal, written approval of Ample Bonus Limited has been obtained for the purpose of approving the Disposal in lieu of an approval from the shareholders of KHI at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules. A circular containing, amongst other things, details of the Disposal will be despatched to the shareholders of KHI on or before 27 June 2012 in accordance with the Listing Rules as it is anticipated that more time is required for preparation of information required to be included in the circular, including but not limited to the valuation report in relation to the Property.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	board of directors;
“Company”	Hong Kong (SAR) Hotel Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Seller;
“Completion”	the completion of the sale and purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement pursuant to the terms and conditions thereof;
“Consideration”	HK\$800,000,000, being the aggregate consideration payable by the Purchaser to the Seller for the Sale Shares and the Sale Loan;
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement;
“FEC”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;

“FEC Directors”	the directors of FEC;
“FEC EGM”	an extraordinary general meeting of FEC to be held to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“FEC Group”	FEC and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hotel”	the hotel which is currently known as “Dorsett Regency Hotel, Hong Kong” erected on the Property;
“KHI”	Kosmopolito Hotels International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange and a non-wholly owned subsidiary of FEC;
“KHI Directors”	the directors of KHI;
“KHI Group”	KHI and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	all those pieces or parcels of ground together with the messuages erections and buildings constructed thereon now known as No.18 Davis Street, Hong Kong (formerly known as Nos.12, 14, 16, 18, 20 and 22 Davis Street, Hong Kong);
“Purchaser”	CCB Properties (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 May 2012 and entered into between the Seller, the Purchaser and KHI in relation to the Disposal;
“Sale Loan”	the shareholder’s loan which will be outstanding and owing at Completion by the Company to the Seller;

“Sale Shares”	10,000 shares of HK\$1 in the Company representing the entire issued share capital of the Company;
“Seller”	Havena Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of KHI;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

<p>By order of the Board of Far East Consortium International Limited CHEUNG Wai Hung Boswell <i>Chief Financial Officer and Company Secretary</i></p>	<p>By order of the Board of Kosmopolito Hotels International Limited CHIU Wing Kwan Winnie <i>President and Executive Director</i></p>
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Hong Kong, 25 May 2012

As at the date of this announcement, the executive directors of FEC are Tan Sri Dato’ CHIU David, Mr. CHIU Dennis and Mr. Craig Grenfell WILLIAMS; the non-executive director of FEC is Mr. CHIU Tat Jung Daniel; the independent non-executive directors of FEC are Mr. CHAN Kwok Wai, Mr. WONG Man Kong Peter and Mr. LAM Kwong Siu.

As at the date of this announcement, the executive directors of KHI are Ms. CHIU Wing Kwan Winnie and Mr. LAI Wai Keung; the non-executive directors of KHI are Tan Sri Dato’ CHIU David, Mr. HOONG Cheong Thard, Mr. CHAN Chi Hing and Mr. MOK Kwai Pui Bill; the independent non-executive directors of KHI are Mr. SHEK Lai Him Abraham, Mr. TO Peter, Dr. LIU Ngai Wing and Mr. Giovanni ANGELINI.

This announcement was originally prepared in English and was subsequently translated into Chinese. In the event of any inconsistency between the two texts, the English text of this announcement shall prevail over the Chinese text.