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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, 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 Consortium International Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
IN RELATION TO  
ACQUISITION OF A BUILDING COMPLEX IN THE PRC**

**Financial adviser to Far East Consortium International Limited**



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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 4 July 2007, in relation to the Acquisition
“Acquisition”	the acquisition by the Purchaser of the Building Complex pursuant to the Agreement
“Agreement”	the agreement entered into between the Purchaser and the Vendor on 29 June 2007
“Board”	the board of Directors
“Building Complex”	collectively, (i) the land use right of a plot of land located in No 118, Jiang Han Street, Jiang An District, Wu Han with a site area of approximately 5,409 s.q.m.; and (ii) the properties titles of the property, namely 港澳中心 (Hong Kong and Macau Centre), situated on such plot of land
“Company”	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
“Completion”	the completion of the Agreement
“connected persons”	has the meaning as defined in the Listing Rules
“Consideration”	the total consideration of RMB420.0 million (equivalent to approximately HK\$432.6 million) payable for the Acquisition pursuant to the Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	20 July 2007, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Loan Repayment Agreements”	loan repayment agreement entered into among the Purchaser, the Vendor and the Bank on 29 June 2007 in relation to, among other things, the early repayment of the Loan, the release of the pledge of properties titles by the Bank and the set up of the Collateral Account and the Monitored Account, and supplemented by the Supplemental Loan Repayment Agreement and the Monitored Account Agreement
“Monitored Account Agreement”	an agreement entered into among the Purchaser, the Vendor and the Bank on 16 July 2007, in relation to, among other things, the name and title of the Monitored Account, the operation of the Monitored Account and the monitoring of the Monitored Account by the Bank
“PRC”	the People’s Republic of China
“Purchaser”	武漢遠東帝豪酒店管理有限公司 (Wu Han Far East Dorsett Hotel Management Company Limited), a wholly foreign owned enterprise established in the PRC with limited liabilities and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Repayment Agreement”	a supplemental agreement entered into among the Purchaser, the Vendor and the Bank on 16 July 2007, in relation to, among other things, the long stop date for the opening of the Collateral Account
“s.q.m.”	square meter(s)
“Vendor”	武漢江龍房地產建築開發有限公司 (Wu Han Jiang Long Real Estate Building Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC with limited liabilities

*For illustration purpose, an exchange rate of RMB1.00 = HK\$1.03 has been adopted.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Deacon Te Ken Chiu (*Chairman*)  
Tan Sri Dato' David Chiu (*Deputy Chairman and  
Chief Executive Officer*)  
Mr. Dennis Chiu  
Mr. Craig Grenfell Williams

*Registered Office:*

P.O. Box 1043, Ground Floor  
Caledonian House, Mary Street  
George Town  
Grand Cayman, Cayman Islands  
British West Indies

*Non-executive Directors:*

Madam Ching Lan Ju Chiu  
Mr. Daniel Tat Jung Chiu

*Principal Office:*

16/F., Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Jian Yin Jiang  
Mr. Kwok Wai Chan  
Mr. Peter Man Kong Wong

25 July 2007

*To the Shareholders,*

Dear Sirs,

### **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF A BUILDING COMPLEX IN THE PRC**

#### **INTRODUCTION**

As announced by the Company on 4 July 2007, on 29 June 2007, the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Building Complex at the Consideration of RMB420.0 million (equivalent to approximately HK\$432.6 million) payable in cash. The Building Complex mainly consists of (i) the land use right of a plot of land located in No 118, Jiang Han Street, Jiang An District, Wu Han with a site area of approximately 5,409 s.q.m.; and (ii) the property titles of the property, namely 港澳中心 (Hong Kong and Macau Centre), situated on such plot of land.

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

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you further information regarding the Acquisition and other information required under the Listing Rules.

### THE AGREEMENT

**Date:** 29 June 2007

**Parties:**

**Purchaser:** 武漢遠東帝豪酒店管理有限公司 (Wu Han Far East Dorsett Hotel Management Company Limited), an indirect wholly-owned subsidiary of the Company

**Vendor:** 武漢江龍房地產建築開發有限公司 (Wu Han Jiang Long Real Estate Building Development Co., Ltd.)

To the best of the knowledge of the Company, the Vendor is principally engaged in the sales and development of properties, construction and decoration projects and property investments.

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:**

The Building Complex mainly consists of (i) the land use right (the "Land Title") of a plot of land located in No 118, Jiang Han Street, Jiang An District, Wu Han with a site area of approximately 5,409 s.q.m. (the "Land"); and (ii) the property titles (the "Property Title") of a property, namely 港澳中心 (Hong Kong and Macau Centre) (the "Property"), situated on the Land.

As set out in more detail below, the properties titles of the first to seventh floors (inclusive) of the Property are pledged to a bank (the "Bank") for a mortgage loan and interests therefrom (the "Loan") with an outstanding balance of approximately RMB150.0 million (equivalent to approximately HK\$154.5 million).

**Consideration:**

The Consideration of RMB420.0 million (equivalent to approximately HK\$432.6 million) comprises the First Payment, the Second Payment and the Retained Amount (each of them is defined below) payable in cash in the following manner:

- (i) as to RMB147.0 million (equivalent to approximately HK\$151.4 million) (the "First Payment") to be deposited to the Collateral Account (as defined below) on or before the seventh business day after the opening of such bank account; and

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## LETTER FROM THE BOARD

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- (ii) as to RMB253.0 million (equivalent to approximately HK\$260.6 million) (the “Second Payment”) and as to RMB20.0 million (equivalent to approximately HK\$20.6 million) (the “Retained Amount”) to be deposited to the Monitored Account (as defined below) on or before the fourteenth business day after the opening of such bank account (or such other days as may be agreed by both parties to the Agreement).

The First Payment will be placed in a bank account (the “Collateral Account”, which has been set up as at the Latest Practicable Date) and will be used (together with the outstanding balance of the Loan in excess of the First Payment (if any) to be paid by the Vendor) to settle part of the Loan directly upon application for the registration of transfer of the Land Title and the Property Title to the Purchaser by the Vendor. As set out in the Announcement, the Collateral Account was to be opened within 7 business days after the date of the Agreement, however, pursuant to the Supplemental Loan Repayment Agreement, the long stop date for the opening of the Collateral Account is postponed to be within 15 business days after the date of the Agreement.

The Second Payment will be placed in another bank account (the “Monitored Account”, which has been set up under the name and title of the Vendor as at the Latest Practicable Date) pursuant to the Monitored Account Agreement. As set out in the Announcement, the account was to be set up under the names and titles of the Purchaser and the Vendor pursuant to the Agreement. The Monitored Account is operated jointly by the Purchaser and the Vendor and is monitored by the Bank. Within one day after the completion of the registration of transfer of the Land Title and the Property Title to the Purchaser from the Vendor, the Second Payment will be transferred to a designated bank account of the Vendor.

Pursuant to the Agreement, the Vendor undertakes to procure the vacant possession of the hotel portion on the eleventh to fifteenth floors (inclusive) and part of the units on the first floor of the Property to the Purchaser (the “Delivery”) on or before 19 May 2008. The Purchaser will retain the Retained Amount in the Monitored Account upon Completion. Subject to (i) the completion of the Delivery on or before 19 May 2008; or (ii) the written consents issued by the tenants of the hotel portion and those units on the first floor of the Property on or before 19 May 2008 that they will surrender their respective units in vacant to the Purchaser on or before 18 June 2008 and the delivery of vacant possession to the Purchaser (the “Surrender”) on or before 18 June 2008, the Purchaser will release the Retained Amount in the Monitored Account to a designated bank account of the Vendor upon completion of the Delivery or the Surrender.

If the Vendor fails to complete the Delivery on or before 19 May 2008 or procure the Surrender on or before 18 June 2008, the Purchaser will be entitled to the Retained Amount and also be entitled to claim reasonable compensation from the Vendor.

The Consideration is determined after arm’s length negotiation with reference to (i) prevailing market value of similar properties in Wu Han; (ii) development potential of the Building Complex; (iii) prospect of hotel and property markets in Wu Han, being one of the major cities of the PRC; and (iv) the synergetic effects of the Building Complex to the existing hotel portfolio of the Group.

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## LETTER FROM THE BOARD

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The Consideration and the related costs are proposed to be financed as to 50% by the internal resources of the Group and as to 50% by bank financing.

### **Conditions precedent:**

Completion is conditional upon the first set of conditions precedent (“First-phase Conditions Precedent”) and second set of conditions precedent (“Second-phase Conditions Precedent”) being satisfied.

#### First-phase Conditions Precedent:

- (i) the consent from the Bank for the early repayment of the Loan being obtained and, subject to the early repayment of the Loan, the transfer of the Land Title and the Property Title by the Vendor to the Purchaser, being legally valid and enforceable without legal obstacles;
- (ii) proof of the outstanding balance of the Loan of RMB147.0 million (equivalent to approximately HK\$151.4 million) payable by the Purchaser to be issued by the Bank to the Purchaser (while the outstanding balance of the Loan in excess of RMB147.0 million (equivalent to approximately HK\$151.4 million) (if any) will be settled by the Vendor);
- (iii) the written confirmation to the Purchaser from the current tenants of the Property that they will waive their rights to acquire the units currently rented by those tenants from the Vendor; and
- (iv) a complete list of assets included in the Building Complex being provided by the Vendor to the Purchaser.

None of the condition of the First-phase Conditions Precedent can be waived by the parties to the Agreement. As at the Latest Practicable Date, none of the condition of the First-phase Conditions Precedent was fulfilled.

In the event that any of the above conditions have not been satisfied within 30 business days from the date of the Agreement (or such other days as may be agreed by both parties to the Agreement), the Purchaser is entitled to terminate the Agreement and instruct the Bank to return the First Payment to the Purchaser directly.

#### Second-phase Conditions Precedent:

- (i) the transfer of the Land Title and the Property Title to the Purchaser by the Vendor free from encumbrances; and
- (ii) the transfer of the beneficiary titles of all insurance contacts related to the Property from the Vendor to the Purchaser.



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## LETTER FROM THE BOARD

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None of the condition of the Second-phase Conditions Precedent can be waived by the parties to the Agreement. As at the Latest Practicable Date, none of the condition of the Second-phase Conditions Precedent was fulfilled.

In the event that any of the above conditions have not been satisfied within 40 business days from the date of completion of the First-phase Conditions Precedent (or such other days as may be agreed by both parties to the Agreement), the Vendor is obligated to pay a penalty of 0.1% of the First Payment and the Second Payment on a daily basis to the Purchaser.

In case the Purchaser fails to pay the Consideration according to the payment schedule as above, the Purchaser is obligated to pay a penalty of 0.1% of the First Payment and the Second Payment on a daily basis to the Vendor.

### INFORMATION ON THE BUILDING COMPLEX

The Building Complex is located at Wu Han, Hu Bei Province, the PRC and mainly consists of (i) the Land Title; and (ii) the Property Title.

The Property is a 19 stories high building (including the basement car park of the building) with a gross floor area of approximately 67,307 s.q.m., situated in the central business area of Wu Han. The first to the ninth floors (inclusive) of the Property are currently rented to a shopping department store, a cinema, a restaurant, a spa hose and a gym centre, while the eleventh to the fifteenth floors (inclusive) are designed as hotel properties. The sixteenth floor of the Property is currently rented out as an office, while the seventeenth to eighteenth floors (inclusive) are currently used as the office of the Vendor.

Based on the existing tenancy agreements, the rental income of the Property amounts to approximately RMB33.1 million (equivalent to approximately HK\$34.1 million) per annum. The benefits of those tenancy agreements will be transferred to the Purchaser upon Completion.

The property titles of the first to seventh floors (inclusive) of the Property are pledged to the bank for the Loan with the outstanding balance of approximately RMB150.0 million (equivalent to approximately HK\$154.5 million). The Loan Repayment Agreements have been entered into among the Purchaser, the Vendor and the Bank pursuant to which the Bank has agreed, among other things, to release the pledge of the first to seventh floors of the Property upon settlement in full of the Loan and to assist the transfer of the properties titles of the first to seventh floors (inclusive) of the Property from the Vendor to the Purchaser.

The net book value of the Building Complex and profits attributable to the Building Complex for the two financial years immediately preceding the Acquisition are not available as no financial statement for the Building Complex has been prepared by the Vendor.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are property development and investment, hotel operations, securities investment and trading, and loan financing for hotel operations. As at the Latest Practicable Date, the Group has 7 hotels in Hong Kong and 2 hotels in Malaysia. The Group is actively seeking investment opportunities in the hospitality industry, both in Hong Kong and overseas.

The Group intends to retain the current structure of the Property, but may redesign the layout of the hotel portion of the Property to enhance the yield of the Building Complex. The Board considers that the Acquisition represents a good opportunity for the Group to strengthen its existing hotel portfolio and provides a platform to the Group to capture the future growth of tourism business in the PRC. Upon Completion, the Acquisition will not have any immediate material impact on the Group's total assets, total liabilities and results. The Board considers that the Agreement is on normal commercial terms and the terms of which are fair and reasonable. The Board further considers that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

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

### ADDITIONAL INFORMATION

Your attention is drawn to the general information on the Company as set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Far East Consortium International Limited**  
**David Chiu**  
*Deputy Chairman and  
Chief Executive Officer*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

### (a) Long position in Shares and underlying Shares

Name of Director	Number of Shares held			Total	Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Beneficial interests in underlying Shares		
Deacon Te Ken Chiu	10,851,359	118,660,876 (1)	–	129,512,235	8.82%
David Chiu	660,103	334,127,010 (2)	11,000,000 (5)	345,787,113	23.56%
Dennis Chiu	8,397	5,064,321 (3)	–	5,072,718	0.35%
Ching Lan Ju Chiu	1,353,490	–	–	1,353,490	0.09%
Daniel Tat Jung Chiu	40,594	3,877,218 (4)	–	3,917,812	0.27%

*Notes:*

- (1) These Shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (2) These Shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' David Chiu.
- (3) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (4) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.
- (5) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 27 April 2007 to 28 April 2008.

**(b) Share options**

As at the Latest Practicable Date, the Company has not granted to the Directors any share option under the share option scheme adopted on 28 August 2002.

**(c) Shares in associated corporations**

As at the Latest Practicable Date, the interests of Directors in the share capital of the Company's associated corporations were as follows:

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Number of ordinary shares held</b>
Deacon Te Ken Chiu	Kanic Property Management Limited	2
David Chiu	Oi Tak Enterprises Limited	250,000

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

## 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors are aware, the following persons had a long position or short position in the Shares, underlying Shares or debentures 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, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital of the Company</b>
Zwaanstra John	Interests in controlled corporation	396,399,398(L)	27.01%
Penta Investment Advisers Limited	Investment manager	396,399,398(L)	27.01%
Mercurius GP LLC	Founder of a discretionary trust	164,705,592(L)	11.22%
Zwaanstra Todd	Trustee	164,705,592(L)	11.22%
Penta Japan Fund, Ltd.	Interests in controlled corporation	164,705,592(L)	11.22%
Deutsche Bank Aktiengesellschaft	Beneficial owner	32,449,526(L)	2.21%
	Beneficial owner	8,455,552(S)	0.58%
	Person having a security interest in Shares	117,394,517(L)	8.00%
	Person having a security interest in Shares	40,379,125(S)	2.75%
Sky Investment Counsel Inc.	Investment manager	83,218,884(L)	5.67%

*Note:* “L” refers to the long position in the Shares held by such entity, while “S” refers to short position in the Shares held by such entity.

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**4. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**5. SERVICE CONTRACTS**

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Group.

**7. MISCELLANEOUS**

- (a) The qualified accountant and secretary of the Company is Bill Kwai Pui Mok, *MBA, AICPA, HKICPA*.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The English language text of this circular shall prevail over the Chinese language text. If there is any inconsistency between the Chinese names of PRC entities or locations mentioned in this circular and their English translations, the Chinese version shall prevail.