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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)

Connected Transaction

Acquisition of the entire issued share capital and shareholder's loan of Capital Fortune Investment Limited

On 21 December 2011, the Purchaser entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Seller has agreed to sell and assign, and the Purchaser has agreed to acquire and take assignment of, the Sale Shares and the Sale Loan, respectively, at the Consideration of HK\$76,045,000.00.

The Purchaser is a wholly owned subsidiary of the Company and the Seller is a wholly owned subsidiary of FECIL. FECIL is the controlling Shareholder of the Company and is interested in approximately 73.10% of the issued shares of the Company. The Seller, FECIL's wholly owned subsidiary and hence an associate (as defined in the Listing Rules) of FECIL, is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules and the Transaction is a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) of the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules.

TRANSACTION

The Board announces that on 21 December 2011, the Purchaser entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Seller has agreed to sell and assign, and the Purchaser has agreed to acquire and take assignment of, the Sale Shares and the Sale Loan, respectively.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date of the Sale and Purchase Agreement

21 December 2011

Parties

- (1) Seller: Far East Consortium Limited, a wholly owned subsidiary of FECIL and an investment holding company.
- (2) Purchaser: New Perfection Limited, a wholly owned subsidiary of the Company and an investment holding company.

FECIL is the controlling Shareholder of the Company and is interested in approximately 73.10% of the issued shares of the Company. The Seller, FECIL's wholly owned subsidiary and hence an associate (as defined in the Listing Rules) of FECIL, is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Assets to be acquired

The Sale Shares, being two ordinary shares of Capital Fortune, represent the entire issued shares of Capital Fortune. The Sale Loan is the amount of loan (including interests accrued thereon (if any)) owing by Capital Fortune to the Seller, which, as at the date of the Sale and Purchase Agreement was HK\$63,753,125.00.

Upon completion of the acquisition of the Sale Shares, Capital Fortune shall become a wholly owned subsidiary of the Company.

Information about Capital Fortune

Capital Fortune is an investment holding company. The assets of Capital Fortune are substantially its 25% equity interest in the Joint Venture Company. The remaining 75% equity interest in the Joint Venture Company is held by the PRC Partner, an independent third party.

The Joint Venture Company is the owner of the Property known as 頤明園度假村 (Yiming Yuan Resort), located at Wuxie Town, Zhuji, in Zhejiang Province of the PRC, which, when completed, will comprise a 5-storey hotel and a 2-storey clubhouse with a total gross floor area of approximately 36,905.18 square metres

erected on a parcel of land with a total site area of approximately 60,736.10 square metres. It is expected that upon the completion of the interior decoration work, the resort hotel will commence operation in the fourth quarter of 2012. According to the valuation report dated 21 November 2011 issued by an independent professional valuer, the value of the Property as at 21 November 2011 was RMB176,000,000 (equivalent to approximately HK\$214,984,000).

The Joint Venture Company has been dormant since its establishment. The total registered capital and the paid up capital of the Joint Venture Company is US\$30,459,016 (equivalent to approximately HK\$237,580,324.80). The legal and beneficial interests of the Property was injected into the Joint Venture Company by the PRC Partner in the fourth quarter of 2011 as its contribution to the total paid up capital of the Joint Venture Company. The total investment made by Capital Fortune in the Joint Venture Company as its contribution to the total paid up capital of the Joint Venture Company was HK\$59,413,506.00 and such investment was funded by the Seller by way of a shareholder's loan to Capital Fortune. Capital Fortune is not expected to make further capital contribution to the Joint Venture Company.

The assets and liabilities of Capital Fortune are substantially its 25% equity interest in the Joint Venture Company and the Sale Loan respectively. Other than the investment in the Joint Venture Company, Capital Fortune currently does not have any other investments and/or businesses. According to the audited financial statements of Capital Fortune, its net loss (both before and after taxation and extraordinary items) for the financial years ended 31 March 2010 and 31 March 2011 was HK\$341,196 and HK\$24,719 respectively.

Consideration

The Consideration for the Transaction is HK\$76,045,000.00, which was arrived at after arm's length negotiations between the Seller and the Purchaser and principally based on the fair value of the 25% equity interest in the Joint Venture Company owned by Capital Fortune.

The assets of the Joint Venture Company are mainly deposits with banks and the Property. According to the management accounts of the Joint Venture Company, balance of the deposits with banks as at 13 December 2011 was RMB72,914,986.54 (equivalent to approximately HK\$89,065,656.06) and the value of the Property as at 21 November 2011 according to the valuation report dated 21 November 2011 was RMB176,000,000 (equivalent to approximately HK\$214,984,000).

The Consideration was paid by the Purchaser to the Seller upon completion of the Transaction, which occurred upon the signing of the Sale and Purchase Agreement. The Consideration was funded from internal resources of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is acquiring the entire issued share capital of Capital Fortune which owns 25% equity interest in the Joint Venture Company. The Joint Venture Company in turn holds 100% legal and beneficial interest in the Property. The Property is located in Wuxie Town, Zhuji, which represents one of the major growth centres in economic development and tourism activities in Zhejiang Province, the PRC.

The Property, when completed, will comprise a 5-storey hotel and a 2-storey clubhouse with a total gross floor area of approximately 36,905.18 square metres erected on a parcel of land with a total site area of approximately 60,736.10 square metres. The current development plan is to develop the Property into a four or five star resort hotel with a capacity of approximately 265 rooms.

With close proximity to major cities such as Shanghai and Hangzhou, the increasing tourism activities in the Zhejiang region is anticipated to bring long-term accretive growth to the hotel owner. The Directors consider this acquisition as an important move to further solidify the Company's strategic position in the PRC.

The terms of the Sale and Purchase Agreement were negotiated between the parties at arm's length. The Directors (including all the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Tan Sri Dato' CHIU David (the chief executive officer, an executive director and the Chairman of FECIL), Mr. HOONG Cheong Thard (the managing director of FECIL) and Mr. CHAN Chi Hing (the chief operating officer of FECIL) abstained from voting on the relevant board resolutions approving the Transaction in the meeting of the Board.

IMPLICATIONS UNDER THE LISTING RULES

FECIL is the controlling Shareholder of the Company and is interested in approximately 73.10% of the issued shares of the Company. The Seller, FECIL's wholly owned subsidiary and hence an associate (as defined in the Listing Rules) of FECIL, is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules and the Transaction is a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. As the applicable percentage ratios (as

defined in the Listing Rules) of the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules.

GENERAL

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

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

DEFINITIONS

In this announcement, the following terms have the same meanings as set out below:-

“Board”	the board of Directors;
“Capital Fortune”	Capital Fortune Investment Limited, a company incorporated in Hong Kong;
“Company”	Kosmopolito Hotels International Limited, a company incorporated in the Cayman Islands, and the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Transaction;
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	HK\$76,045,000.00;
“Directors”	the directors of the Company;
“FECIL”	Far East Consortium International Limited, a company incorporated in the Cayman Islands, and the shares of which are listed on the main board of the Stock Exchange;
“FECIL Group”	FECIL and its subsidiaries;
“Group”	the Company and its subsidiaries;

“Joint Venture Company”	諸暨麗悅度假村有限公司, a company incorporated in the PRC, the equity interest of which is held as to 25% by Capital Fortune and 75% by the PRC Partner;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“PRC Partner”	an independent third party which owns 75% equity interest of the Joint Venture Company;
“Property”	頤明園度假村 (Yiming Yuan Resort), located at Wuxie Town, Zhuji, in Zhejiang Province of the PRC, which, when completed, will comprise a 5-storey hotel and a 2-storey clubhouse with a total gross floor area of approximately 36,905.18 square metres erected on a parcel of land with a total site area of approximately 60,736.10 square metres;
“Purchaser”	New Perfection Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 December 2011 in relation to the Transaction;
“Sale Loan”	the loan (including interests accrued thereon (if any)) owing by Capital Fortune to the Seller, which, as at the date of the Sale and Purchase Agreement was HK\$63,753,125.00;
“Sale Shares”	two ordinary shares of Capital Fortune, representing the entire issued share capital of Capital Fortune;
“Seller”	Far East Consortium Limited 遠東發展有限公司, a company incorporated in Hong Kong and a wholly owned subsidiary of FECIL;
“Shareholders”	holders of the Shares;
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transaction”	the sale and acquisition of the Sale Shares and the assignment of the Sale Loan pursuant to the Sale and Purchase Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“US\$”	United States dollars, the lawful currency of the United States of America.

Unless otherwise specified, amounts in this announcement denominated in RMB and US\$ have been translated for the purpose of illustration only into HK\$ at the rate of RMB1.00:HK\$1.2215 and US\$1.00:HK\$7.80 respectively. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rates or any other rates at all.

By order of the Board of
Kosmopolito Hotels International Limited
CHIU Wing Kwan Winnie
President and Executive Director

Hong Kong, 21 December 2011

As at the date of this announcement, the executive Directors are Ms. CHIU Wing Kwan Winnie and Mr. LAI Wai Keung. The non-executive Directors 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 are Mr. SHEK Lai Him Abraham, Mr. TO Peter and Dr. LIU Ngai Wing.

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