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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  
DISCLOSEABLE TRANSACTION  
PROPOSED ACQUISITION OF PROPERTY**

The respective Boards of FEC and KHI wish to announce that on 17 February 2012, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, an independent third party, pursuant to which amongst other things the Purchaser has agreed to purchase and the Vendor has agreed to sell the Property at a total consideration of HK\$210,000,000. The Acquisition is expected to be completed on 17 April 2012.

As FEC indirectly holds approximately 73.1% of the entire issued share capital of KHI, KHI is a subsidiary of FEC. As the Purchaser is an indirect wholly-owned subsidiary of KHI, the Purchaser is an indirect, non wholly-owned subsidiary of FEC.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25% for both FEC and KHI, the entering into of the Sale and Purchase Agreement constitutes a discloseable transaction for both FEC and KHI and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**INTRODUCTION**

On 17 February 2012, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, an independent third party, pursuant to which amongst other things the Purchaser has agreed to purchase and the Vendor has agreed to sell the Property at a total consideration of HK\$210,000,000. The Acquisition is expected to be completed on 17 April 2012.

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## **FURTHER INFORMATION ON THE PROPERTY**

As at the date hereof, there is no subsisting tenancy, licence or occupation agreement or arrangement in respect of the Property or any part thereof save and except the following:-

- (i) the Tenant A Agreement, a tenancy agreement in respect of the 7th floor of the Property, the term of which expires on 30 April 2012 with a monthly rent of HK\$55,000;
- (ii) the Tenant B Agreement, a tenancy agreement in respect of units A & B, 4th floor of the Property, the term of which expires on 31 December 2012 with a monthly rent of HK\$47,000 terminable on the Vendor providing six months' notice;
- (iii) the Car Park License, a license in respect of three car parking spaces located at the Property, the term of which expires on 31 December 2012 with a monthly license fee of HK\$6,300 terminable on the Vendor providing six months' notice; and
- (iv) the existing Storage Agreements subsisting as of the date of the Sale and Purchase Agreement entered into by the Vendor granting the Storers licences over spaces in the Storage Facility for storage purposes.

Set out below is a summary of the relevant financial information on the Property as provided by the Vendor:-

	<b>For the ten months ended 31 July 2011 (Note) HK\$</b>	<b>For the twelve months ended 30 September 2010 HK\$</b>
Net rental income before taxation and extraordinary items	6,003,449	5,206,369
Net rental income after taxation and extraordinary items	5,012,880	4,347,318

*Note: Financial information in respect of the Property for August and September 2011 is unavailable.*

## SUMMARY OF TERMS OF THE SALE AND PURCHASE AGREEMENT

The key terms of the Sale and Purchase Agreement are as follows:-

Date of agreement:	17 February 2012
Vendor:	BHK No.2 Ltd. To the best of the knowledge, information and belief of the FEC Directors and KHI Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of both FEC and KHI and connected persons (as defined under the Listing Rules) of both FEC and KHI.
Purchaser:	Novel Orient Investments Limited, an indirect wholly-owned subsidiary of KHI and an indirect, non wholly-owned subsidiary of FEC.
Property Description:	ALL THAT piece or parcel of ground registered in the Land Registry as KWAI CHUNG TOWN LOT NO.167 TOGETHER with the messuages erections and buildings erected thereon now known as BIG ORANGE — KWAI CHUNG (formerly known as M. BUX TOWER (百德中心), SUNTEX TOWER (展時中心) and KOON WAH INDUSTRIAL BUILDING (冠華工業中心))
Address:	119 Wo Yip Hop Road, Kwai Chung, New Territories, Hong Kong
Site area:	approximately 14,120 square feet.
Gross Floor Area:	approximately 157,066 square feet (14-storey)
Lease restriction:	industrial or godown
Consideration:	HK\$210,000,000, which was arrived at after arm's length negotiations between the Purchaser and the Vendor having taken reference to consultations made with relevant professionals.

- Payment:
- (a) HK\$21,000,000 being the deposit has been paid by the Purchaser to the Vendor's Solicitors as stakeholders upon the signing of the Sale and Purchase Agreement; and
  - (b) HK\$189,000,000 being the balance of the Consideration to be paid by the Purchaser upon Completion on the Completion Date, which is scheduled to be on 17 April 2012 or such other date as the Purchaser and Vendor may agree in writing.

The Acquisition will be funded through internal resources of KHI and partly by bank financing.

Other key terms:-

1. Subject to para. 6 below, vacant possession in respect of such parts of the Property which are not subject to any Tenancy Agreement or the Car Park Licence subsisting at the time of Completion shall be delivered by the Vendor to the Purchaser upon Completion.
2. The Vendor has undertaken with, warranted and represented to the Purchaser (to the intent that such undertakings, warranties and representations shall survive Completion) that as at Completion, there will only be occupational interests referred to in para. 1 above.
3. The Purchaser has confirmed and authorised the Vendor (without the Vendor being under obligation to do so) to, subject to complying with certain other provisions under the Sale and Purchase Agreement, negotiate a renewal of the Tenant A Agreement for a further term starting on 1 May 2012 and ending no later than 30 September 2012 at the current rent of HK\$55,000 per month without obtaining any consent from the Purchaser.
4. The Vendor shall upon the Purchaser's prior written request served not later than two Business Days prior to Completion at the Vendor's own cost and expense immediately prior to Completion serve six months' written notice on (i) the tenant under the Tenant B Agreement and on (ii) the licensee under the Car Park Licence terminating the said Tenant B Agreement and Car Park Licence respectively provided that the form and content of such notices shall be approved by the Purchaser's solicitors prior to issuance.
5. The Vendor shall be entitled to receive all rents, licence fees and profits and shall discharge all outgoings in respect of the Property up to and inclusive of the

actual day of Completion and the Purchaser shall be entitled to receive all rents, licence fees (other than those relating to the Storage Agreements) and profits and shall discharge all outgoings in respect of the Property (other than those relating to the Storage Agreements) as from but exclusive of that day.

6. Forthwith upon Completion, the Purchaser and the Vendor shall enter into a lease pursuant to which the Purchaser as lessor shall grant and the Vendor as lessee shall take the lease of the Storage Facility, the term of which will be for five months from 17 April 2012. The Vendor shall continue to retain the benefit and burden of all Storage Agreements subsisting at Completion.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Purchaser entered into the Sale and Purchase Agreement after KHI won in a private tender for the right of acquisition of the Property and intends to convert the Property into a 420-guestroom hotel, which will be branded as an additional member to KHI Group's three-star Silka series of hotels.

The Property is conveniently located at the densely populated Kwai Chung district and well served by public transportation (28 kilometres away from the Chek Lap Kok International Airport, 4 kilometers away from the Kwai Chung Container Terminals and 1 kilometer away from the closest Mass Transit Railway station).

The FEC Directors and KHI Directors estimate that the total cost of conversion of the Property into a hotel will amount to approximately HK\$100-150 million. Together with the cost of the Acquisition at HK\$210 million, the total cost of investment would represent an average cost of HK\$2,292 per square foot or slightly less than HK\$860,000 per guestroom. This new hotel is, therefore, expected to further enhance return to the shareholders of FEC and KHI respectively.

The FEC Directors and KHI Directors are of the view that the Property, after successful conversion into a hotel, will allow KHI to benefit more fully from the growing demand of hotels arising from increasing international trade volume and, hence, business travelers and that the Acquisition represents an attractive investment opportunity when compared with similar opportunities currently available in the market.

The FEC Directors and KHI Directors are of view that the terms of acquisition in the Sale & Purchase Agreement including the Consideration are in normal commercial terms, and are fair and reasonable and in the interests of the shareholders of FEC and KHI respectively as a whole.

## **GENERAL**

FEC is an investment holding company. The principal 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 activities of the KHI Group comprise developing, owning and operating value, mid-scale, up-scale and boutique hotels, as well as property investment and development.

The Vendor is a property holding company.

## **LISTING RULES IMPLICATIONS**

As FEC indirectly holds approximately 73.1% of the entire issued share capital of KHI, KHI is a subsidiary of FEC. As the Purchaser is an indirect wholly-owned subsidiary of KHI, the Purchaser is an indirect non wholly-owned subsidiary of FEC.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25% for both FEC and KHI, the entering into of the Sale and Purchase Agreement constitutes a discloseable transaction of both FEC and KHI and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	acquisition of the Property by the Purchaser pursuant to the terms of the Sale and Purchase Agreement;
“Board”	the board of directors;
“Business Day(s)”	a day that is not a Saturday, Sunday and is not a gazetted public holiday;
“Car Park License”	a license in respect of three car parking spaces located at the Property, the term of which expires on 31 December 2012 with a monthly license fee of HK\$6,300 terminable on the Vendor providing 6 months’ notice;
“Completion”	completion of the Acquisition;

“Completion Date”	completion date of the Acquisition, which is expected to be on 17 April 2012 or such other date as the Purchaser and Vendor may agree in writing;
“Consideration”	HK\$210,000,000;
“FEC”	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, which holds approximately 73.1% of the issued share capital of KHI, and is therefore a controlling shareholder (as defined under the Listing Rules) of KHI;
“FEC Directors”	the directors of FEC;
“FEC Group”	FEC and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“KHI”	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, which is held indirectly as to approximately 73.1% by FEC and is therefore a 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 THAT piece or parcel of ground registered in the Land Registry as KWAI CHUNG TOWN LOT NO.167 TOGETHER with the messuages erections and buildings erected thereon now known as BIG ORANGE — KWAI CHUNG (formerly known as M. BUX TOWER (百德中心), SUNTEX TOWER (展時中心 ) and KOON WAH INDUSTRIAL BUILDING (冠華工業中心));
“Purchaser”	Novel Orient Investments Limited, an indirect wholly-owned subsidiary of KHI and an indirect non wholly-owned subsidiary of FEC;

“Sale and Purchase Agreement”	the sale and purchase agreement entered into on 17 February 2012 between the Purchaser and the Vendor for the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Storage Agreement(s)”	any agreement entered into by the Vendor granting the Storer a licence over a space in the Storage Facility for storage purpose;
“Storage Facility”	part of the 1st, 2nd, 3rd, 6th, 9th, 10th and 11th floors of the Property;
“Storer(s)”	a storer under a Storage Agreement;
“subsidiary”	has the same meaning ascribed to it under the Listing Rules;
“Tenancy Agreements”	the Tenant A Agreement and Tenant B Agreement and if the Tenant A Agreement is renewed pursuant to para. 3 under “Other key terms” under the section headed “SUMMARY OF TERMS OF THE SALE AND PURCHASE AGREEMENT” of this announcement, includes the renewed Tenant A Agreement;
“Tenant A Agreement”	a tenancy agreement in respect of 7th floor of the Property, the term of which expires on 30 April 2012 with a monthly rent of HK\$55,000;
“Tenant B Agreement”	a tenancy agreement in respect of units A & B, 4th floor of the Property, the term of which expires on 31 December 2012 with a monthly rent of HK\$47,000 terminable on the Vendor providing 6 months’ notice; and
“Vendor”	BHK No.2 Ltd.

<p>By order of the Board of  <b>Far East Consortium  International Limited</b>  <b>Cheung, Wai Hung Boswell</b>  <i>Chief Financial Officer and Company Secretary</i></p>	<p>By order of the Board of  <b>Kosmopolito Hotels  International Limited</b>  <b>Chiu, Wing Kwan Winnie</b>  <i>President and Executive Director</i></p>
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Hong Kong, 17 February 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 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.*