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If you are in any doubt as to any aspect of this joint circular or as to the action to be taken, 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 ("FEC") and/or Kosmopolito Hotels International Limited ("KHI"), you should at once hand this joint circular and the accompanying form of proxy (as the case may be) to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This joint circular is not and does not constitute an invitation or an offer to acquire, purchase or subscribe for shares or other securities of FEC and/or KHI.



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)

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF JOINT VENTURE

**Independent Financial Adviser to the Independent FEC Board Committee
and**

Independent Financial Adviser to the Independent KHI Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this joint circular.

A notice convening the FEC EGM to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong at 11:30 a.m. on Monday, 31 October 2011 is set out on pages N-1 to N-2 of this joint circular. Whether or not FEC Shareholders are able to attend the FEC EGM in person, FEC Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to FEC's Hong Kong branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the FEC EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude FEC Shareholders from attending and voting in person at the FEC EGM or any adjourned meeting thereof should FEC Shareholders so wish.

A notice convening the KHI EGM to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong at 10:00 a.m. on Monday, 31 October 2011 is set out on pages N-3 to N-4 of this joint circular. Whether or not KHI Shareholders are able to attend the KHI EGM in person, KHI Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to KHI's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the KHI EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude KHI Shareholders from attending and voting in person at the KHI EGM or any adjournment thereof should KHI Shareholders so wish.

14 October 2011

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DEFINITIONS

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

“Advance Payment”	the sum of RM100,000 (equivalent to approximately HK\$250,000) payable by Mayland Valiant to Subang Jaya within fourteen days of the fulfilment of the Conditions or delivery of vacant possession of the Development Land by Subang Jaya, whichever is the later;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Conditions”	the conditions precedent to the performance of the obligations of Mayland Valiant and Subang Jaya under the Joint Venture Agreement;
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Development Commencement Date”	the date of commencement of development work in respect of the Project and development of the Development Land by Mayland Valiant;
“Development Costs”	the costs and expenses to be incurred in the planning, supervision, management, implementation, marketing, legal, building construction, infrastructures, roads and drains, mechanical and engineering works and generally all costs in the completion of the buildings in the Project and development of the Development Land including the costs to be incurred in the relocation of the swimming pool and parking facilities of Grand Dorsett Subang Hotel;
“Development Land”	the portion of the Land excluding the part of the Land utilised by Grand Dorsett Subang Hotel, a hotel owned and operated by the KHI Group;
“Development Profit”	the audited profit before tax derived from audited accounts of Mayland Valiant prepared in accordance with accepted and legal accounting standards and conventions applicable at the relevant time in Malaysia having taken into account, amongst other things, all Development Costs for the completion of the Project and development of the Development Land and value attributable to the Development Land;

DEFINITIONS

“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 KHI Shares and is therefore a controlling shareholder of KHI;
“FEC Board”	the board of FEC Directors;
“FEC Director(s)”	the director(s) of FEC;
“FEC EGM”	the extraordinary general meeting of FEC at which resolutions will be proposed to consider and, if thought fit, to approve, amongst other things, the Joint Venture Agreement;
“FEC Group”	FEC and its subsidiaries;
“FEC Shareholder(s)”	holder(s) of FEC Shares;
“FEC Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of FEC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent FEC Board Committee”	a committee of the FEC Directors, comprising all of the Independent FEC Directors, constituted to make recommendations to the Independent FEC Shareholders on the fairness and reasonableness of the terms of the Joint Venture Agreement and the transactions contemplated thereunder;
“Independent FEC Directors”	the independent non-executive FEC Directors, namely Mr. Chan Kwok Wai, Mr. Wong Man Kong Peter and Mr. Lam Kwong Siu;
“Independent FEC Shareholders”	FEC Shareholders other than Tan Sri Dato’ David Chiu and his associates;
“Independent KHI Board Committee”	a committee of the KHI Directors, comprising all of the Independent KHI Directors, constituted to make recommendations to the Independent KHI Shareholders on the fairness and reasonableness of the terms of the Joint Venture Agreement and the transactions contemplated thereunder;

DEFINITIONS

“Independent KHI Directors”	the independent non-executive KHI Directors, namely Mr. Shek Lai Him Abraham, Mr. To Peter and Dr. Liu Ngai Wing;
“Independent KHI Shareholders”	KHI Shareholders other than Tan Sri Dato’ David Chiu and his associates;
“Independent Valuer”	Raine & Horne International Zaki + Partners Sdn. Bhd., the independent property valuer performing the valuation of the Development Land in Malaysia;
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent FEC Board Committee, the Independent FEC Shareholders, the Independent KHI Board Committee and the Independent KHI Shareholders;
“Joint Announcement”	the joint announcement of FEC and KHI dated 11 October 2011 relating to the proposed Joint Venture;
“Joint Venture”	the joint development of the Project by Subang Jaya and Mayland Valiant pursuant to the terms of the Joint Venture Agreement;
“Joint Venture Agreement”	the joint venture agreement dated 11 October 2011 entered into between Subang Jaya as the proprietor and Mayland Valiant as the developer in connection with the Joint Venture;
“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 Board”	the board of KHI Directors;
“KHI Director(s)”	the director(s) of KHI;
“KHI EGM”	the extraordinary general meeting of KHI at which resolutions will be proposed to consider and, if thought fit, to approve, amongst other things, the Joint Venture Agreement;

DEFINITIONS

“KHI Group”	KHI and its subsidiaries;
“KHI Shareholder(s)”	holder(s) of KHI Shares;
“KHI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of KHI;
“Land”	the parcels of freehold land held under firstly, No. Hakmilik: 38842 No. Lot 4244, Mukim Damansara, Daerah Petaling, Negeri Selangor, Malaysia, measuring approximately 19,474 meters square, and secondly No. Hakmilik 38843, No. Lot 4245, Mukim Damansara, Daerah Petaling, Negeri Selangor, Malaysia, measuring approximately 18,308 meters square;
“Latest Practicable Date”	11 October 2011, being the latest practicable date prior to the printing of this joint circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mayland Properties”	Malaysia Land Properties Sdn Bhd, a company incorporated in Malaysia, which is wholly-owned by Prestige Aspect;
“Mayland Valiant”	Mayland Valiant Sdn Bhd, a company incorporated in Malaysia and wholly-owned by Mayland Properties and a connected person of both FEC and KHI under Rule 14A.11(4) of the Listing Rules;
“Mayland Valiant Entitlement”	50% of the Development Profit;
“Prestige Aspect”	Prestige Aspect Sdn Bhd, a company incorporated in Malaysia, which is owned by Tan Sri Dato’ David Chiu as to approximately 63.57%, owned by Ms. Chiu Ng Nancy, the spouse of Tan Sri Dato’ David Chiu, as to approximately 31.22%, owned by Mr. Kock Kim Fah as to approximately 3.12%, and owned by Mr. Woo Thin Fook as to approximately 2.09%. Both of Mr. Kock Kim Fah and Mr. Woo Thin Fook are independent third parties;

DEFINITIONS

“Project”	the proposed development of properties on the Development Land, for sale to the public, and such other subsequent variations therefrom or amendments thereto proposed from time to time by Mayland Valiant and which has been accepted and approved by Subang Jaya;
“RM”	Ringgit, the lawful currency of Malaysia;
“SFO”	the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subang Jaya”	Subang Jaya Hotel Development Sdn Bhd, a company incorporated in Malaysia, a wholly-owned subsidiary of KHI and a non wholly-owned subsidiary of FEC;
“Subang Jaya Entitlement”	50% of the Development Profit;
“Tan Sri Dato’ David Chiu”	Tan Sri Dato’ David Chiu, an executive FEC Director, the chairman, chief executive officer and controlling shareholder of FEC, a non-executive KHI Director, chairman of KHI, a director of Subang Jaya and the chief executive officer of Mayland Properties; and
“%”	per cent.

Unless otherwise specified, amounts in this joint circular denominated in RM have been translated for the purpose of illustration only into Hong Kong dollars at the rate of RM1.00 : HK\$2.50. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD



**FAR EAST CONSORTIUM
INTERNATIONAL LIMITED**

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

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

(Stock Code: 35)

Executive Directors of FEC:

Tan Sri Dato' CHIU David

Mr. CHIU Dennis

Mr. Craig Grenfell WILLIAMS

Non-executive Director of FEC:

Mr. CHIU Tat Jung Daniel

Independent Non-executive Directors of FEC:

Mr. LAM Kwong Siu

Mr. CHAN Kwok Wai

Mr. WONG Man Kong Peter

Registered office of FEC:

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Principal Office of FEC in Hong Kong:

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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)

Executive Directors of KHI:

Mr. MOK Kwai Pui Bill

Mr. CHU Chee Seng

Mr. LAI Wai Keung

Ms. CHIU Wing Kwan Winnie

Non-executive Directors of KHI:

Tan Sri Dato' CHIU David

Mr. HOONG Cheong Thard

Mr. CHAN Chi Hing

Independent Non-executive Directors of KHI:

Mr. SHEK Lai Him Abraham

Mr. TO Peter

Dr. LIU Ngai Wing

Registered office of KHI:

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127-131 Des Voeux Road Central

Central

Hong Kong

14 October 2011

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

To the FEC Shareholders and KHI Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF JOINT VENTURE

PROPOSED ESTABLISHMENT OF JOINT VENTURE

On 11 October 2011, Subang Jaya, a wholly-owned subsidiary of KHI, entered into the Joint Venture Agreement with Mayland Valiant whereby Subang Jaya and Mayland Valiant will, amongst other things, jointly develop the Project. FEC indirectly holds approximately 73.1% of the issued share capital of KHI, KHI is therefore a subsidiary of FEC and Subang Jaya is an indirect, non wholly-owned subsidiary of FEC.

SUMMARY OF TERMS OF THE JOINT VENTURE AGREEMENT

The key terms of the Joint Venture Agreement are as follows:

Date of agreement: 11 October 2011

Parties:

- (i) Mayland Valiant is a company wholly-owned by Mayland Properties, which in turn is wholly-owned by Prestige Aspect, a company owned by Tan Sri Dato' David Chiu as to approximately 63.57%. Tan Sri Dato' David Chiu is an executive FEC Director, the chairman, chief executive officer and controlling shareholder of FEC, a non-executive KHI Director and the chairman of KHI. Mayland Valiant is therefore a connected person of both FEC and KHI under Rule 14A.11(4) of the Listing Rules. As far as the FEC Directors and KHI Directors are aware after having made all reasonable enquiries, the principal activities of Mayland Valiant and its parent company, Mayland Properties, are the development of properties in Malaysia; and
- (ii) Subang Jaya, a wholly-owned subsidiary of KHI and an indirect non wholly-owned subsidiary of FEC.

Formation and Purpose of the Joint Venture

Pursuant to the Joint Venture Agreement, Subang Jaya and Mayland Valiant have agreed to, amongst other things, jointly develop the Project.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

Subang Jaya as the proprietor will, under the Joint Venture, provide the Development Land on which the Project will be situated. The parties have attributed a value of RM65,000,000 (equivalent to approximately HK\$162,500,000) to the Development Land, based on a valuation report on the Development Land dated 24 August 2011.

Mayland Valiant as the developer shall, under the Joint Venture, amongst other things, pay for all premiums, contributions and other payments incurred on the Development Land, together with direct costs incurred for the development of the Project and all costs now or hereafter chargeable or imposed by the relevant authorities of Malaysia in respect of the development of the Project, conditional on the satisfaction of the Conditions and approval of the building plans by such relevant authorities. All such payments shall be capitalised as Development Costs. Although the legal ownership of the Development Land will not be transferred to Mayland Valiant, Mayland Valiant, holding a power of attorney issued by Subang Jaya, shall also be responsible for obtaining all necessary approvals from the relevant authorities in respect of the Project. As at the Latest Practicable Date, Mayland Valiant, on behalf of Subang Jaya, has already obtained the development order from the local council. Mayland Valiant, on behalf of Subang Jaya, has also submitted a building plan for the development of the Development Land and the approval from the local council is expected to be obtained by December 2011. Mayland Valiant and Subang Jaya do not foresee any obstacles in obtaining approval of the building plan.

If the above approval cannot be obtained, Subang Jaya and Mayland Valiant have agreed that the Project will not proceed, and Subang Jaya will take responsibility for all the preliminary expenses incurred until the date both parties confirm the termination of the Project in the above circumstances.

The performance of the obligations of the parties to the Joint Venture Agreement is conditional on the satisfaction of the following Conditions:-

- (i) Subang Jaya, FEC and KHI having obtained the approval of the contents and execution of the Joint Venture Agreement by Subang Jaya, from their respective boards of directors, and the approval of the shareholders of Subang Jaya, the Independent FEC Shareholders and the Independent KHI Shareholders (as applicable), together with the approval of any relevant regulatory body that Subang Jaya may be subject to; and
- (ii) Mayland Valiant having obtained the approval from its shareholders and board of directors of the contents and execution of the Joint Venture Agreement.

If the approvals set out in the Conditions are not obtained within three months from the date of the Joint Venture Agreement, or such other time as may be mutually agreed upon by Subang Jaya and Mayland Valiant, either party shall be entitled to terminate the Joint Venture Agreement by giving 30 days' prior written notice, upon expiry of which Subang Jaya will

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

refund all money paid by Mayland Valiant under or arising from the Joint Venture Agreement (if any), including any preliminary costs incurred in connection with the Project, in exchange for which Mayland Valiant shall, amongst other things, hand over the Development Land, free from encumbrances attributable to Mayland Valiant. As at the Latest Practicable Date, the total amount of preliminary expenses, including all fees paid to the relevant consultants (architect, engineers and quantity surveyor), incurred in relation to the Project was approximately RM1,500,000 (equivalent to approximately HK\$3,750,000).

Within 14 days of the fulfillment of the Conditions or delivery of vacant possession of the Development Land by Subang Jaya to Mayland Valiant, whichever is the later, Mayland Valiant will pay Subang Jaya the Advance Payment, which will form part of the Subang Jaya Entitlement.

The Project

The current proposal is to develop the Project into approximately 1,989 units of hotel suite apartments in two 17-storey high apartment blocks, with a car park providing approximately 1,329 parking spaces. The total net floor area for the Project is approximately 91,000 square metres.

The expected completion time for the Project will be five years (unless mutually extended by Subang Jaya and Mayland Valiant) from the Development Commencement Date.

Project Management for the Development

The development of the Project is to be conducted on a joint venture basis as between Subang Jaya and Mayland Valiant where no management fees are payable to Mayland Valiant by Subang Jaya, and for this purpose Subang Jaya has been granted a right under the Joint Venture Agreement to appoint no less than half of the members of the board of directors of Mayland Valiant with one of such appointees being the chairman of the board, with a casting vote. All directors of Mayland Valiant appointed by Subang Jaya shall retire upon termination of the Joint Venture Agreement.

Profit Sharing

Under the Joint Venture Agreement, Subang Jaya provides the Development Land for the development while Mayland Valiant provides the technical, commercial, financial management and property marketing and sales expertise and bears the Development Costs, and Subang Jaya and Mayland Valiant are each entitled to 50% of the Development Profit (the Subang Jaya Entitlement and the Mayland Valiant Entitlement, respectively), being the audited profit before tax derived from the audited accounts of Mayland Valiant, prepared in accordance with accepted and legal accounting standards and conventions applicable at the relevant time in Malaysia having taken into account, amongst other things, all Development

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

Costs for the completion of the Project and development of the Development Land and the value attributable to the Development Land. The amount of Development Costs as a whole will be fully recovered by Mayland Valiant and deducted from the gross sales proceeds from the Project prior to the distribution of the Development Profit to Subang Jaya and Mayland Valiant. After the determination of the Development Profit, such Development Profit will be shared between Subang Jaya and Mayland Valiant in accordance with the Joint Venture Agreement, and there will not be any further reimbursements to Subang Jaya or Mayland Valiant.

The Development Profit shall be distributable to Subang Jaya and Mayland Valiant following the receipt of the certificate of compliance and completion for each phase of the Project and within one month after the relevant approvals have been obtained from the Minister of Housing and the relevant authorities of Malaysia, where the sale of the Project may not be completed. The Advance Payment made by Mayland Valiant to Subang Jaya shall be taken into account in the calculation of and shall be deducted from the Subang Jaya Entitlement.

Mayland Valiant will be responsible for the marketing and sales of the Project, including the determination of the selling price which will be approved and accepted by both Subang Jaya and Mayland Valiant.

Under the Joint Venture Agreement, Subang Jaya and Mayland Valiant will also bear 50% of the losses each. All costs, stamp fees and other charges in connection with the Joint Venture Agreement shall be borne equally by Mayland Valiant and Subang Jaya in equal shares.

There are a total of two phases to the Project, and the expected timing for completion of phase 1 of the Project is at the end of 2014. Since the Development Land will not be transferred to Mayland Valiant, the agreed value attributable to the Development Land will be accrued as accounts payable in the audited accounts of Mayland Valiant and will be repaid to Subang Jaya proportionately, based on land size for each phase completed as a proportion of the size of the Development Land, upon the completion of each phase of the Project. The Project will be reflected in the accounts of Mayland Valiant as cost without any prior liabilities or assets. Should the Development Costs exceed the estimated total costs of development of the Project of approximately RM297,000,000 (equivalent to approximately HK\$742,500,000), any amount exceeding such budget will also be accounted for as the Development Costs for calculating the Development Profit. If Mayland Valiant needs to fund the Project by bank financing, the finance costs relating to the Development Costs of RM297,000,000 (equivalent to approximately HK\$742,500,000) or any additional amount will be reflected in the accounts of Mayland Valiant but will not be captured as part of the Development Costs and thus will not be included in calculating the Development Profits, and will therefore not be borne by Subang Jaya.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

The Project will be accounted in the financial statements of FEC and KHI as follows: (i) for the Development Land, as at the time of the Joint Venture Agreement was signed, during the development period and prior to any transfer of ownership of the units of the Project to the purchasers, to be recorded at cost (carrying value) under Property Plant and Equipment (recorded in the financial statements of Subang Jaya as “Land held for development” under local accounting policies) and upon the transfer of ownership of the units of the Project to the respective purchasers, the Development Land will be recorded in the financial statements as a disposal; and (ii) the Development Profit to be distributed to Subang Jaya will be recorded in the financial statements as profit from the Joint Venture upon such transfer. This accounting treatment has been confirmed by the auditors of FEC, KHI and Subang Jaya.

The Project will be pre-sold after all approvals have been obtained from the relevant authorities, which is expected to be within 6 months from the date of the Joint Venture Agreement, prior to the completion of construction of the Project. Upon completion of the respective phases of the Project, where profits of the sale are recognised in the financial statement of Subang Jaya and Mayland Valiant in accordance with the local approved accounting standards, and within 6 to 12 months after Mayland Valiant has obtained the necessary certificates permitting it to deliver vacant possession of the units of the Project for each phase to the purchasers, Mayland Valiant can apply to the Ministry of Housing and other relevant authorities of Malaysia for approval to distribute and pay the Development Profits in accordance to the respective parties’ entitlements. Mayland Valiant and Subang Jaya do not foresee any difficulty in obtaining such approvals for the distribution of the Development Profit. The distribution of Development Profit is to maximise cash utility and return to Subang Jaya and Mayland Valiant as soon as possible. In the event the sale of all units of the Project has not been completed upon the completion of the second and final phase of the Project, Mayland Valiant will continue to market the unsold units for another three (3) years from the date of completion of the entire Project. Further profits obtained from these sales will be recognised in the annual accounts of Mayland Valiant and Subang Jaya under local approved accounting standards, and distributed on an annual basis. Thereafter, any unsold units will be shared between Subang Jaya and Mayland Valiant on a fair basis (such as corner units, units on higher or lower floors).

REASONS FOR AND BENEFITS OF THE JOINT VENTURE

The Land, of which the Development Land forms part, is currently occupied by Grand Dorsett Subang Hotel, a hotel which is owned and operated by the KHI Group. Part of the Development Land is occupied by the swimming pool and parking facilities of the Grand Dorsett Subang Hotel (both of which will be relocated and such relocation costs will be included as part of the Development Costs), with the remainder of the Development Land being left as an open area. Considering the relocation of existing facilities including the swimming pool and the parking facilities and that the development site is on the outskirts of the Grand Dorsett Subang Hotel, KHI considers that the Project will not affect the existing

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

operation of the Grand Dorsett Subang Hotel. The Joint Venture provides a good opportunity for the development of the Development Land without the need for the KHI Group to contribute any further capital towards its development. As set out in the 2011 annual report of KHI, the KHI Group is actively seeking investment as well as other asset-light and cost effective business opportunities with a view to grow its brand distribution and revenues to create value for the KHI Shareholders. KHI Directors believe that the two-prong growth engine will help grow KHI's brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs. The arrangements under the Joint Venture Agreement are consistent with this approach.

As disclosed in the prospectus dated 28 September 2010 in relation to the listing of KHI Shares on the Stock Exchange, KHI has been in the process of formulating plans for some of the vacant land located on the site of the Grand Dorsett Subang Hotel that has not previously been used. The KHI Directors are of the view that the development of such vacant land into hotel suite apartments for sale to the public can create the highest value and return for the KHI Shareholders. However, in the absence of local development experience, the KHI Directors believe that it is necessary to collaborate with a developer with proven track record of property development in Malaysia in order to maximise the return and to minimise the development risks. By reason of the extensive experience and market reputation of Mayland Properties (a company founded in 1995 that has since completed and delivered over 20,000 units of residential and commercial properties) in developing innovative and quality residential and commercial properties in Malaysia, the KHI Directors believe that Mayland Valiant, a wholly-owned subsidiary of Mayland Properties, is a suitable partner in this development.

The value of contribution of Subang Jaya to the Joint Venture in the form of the Development Land was arrived at after arm's length negotiations between Subang Jaya and Mayland Valiant, taking into account the attributed value of the Development Land of RM65,000,000 (equivalent to approximately HK\$162,500,000) and the estimated total costs of development of the Project of approximately RM297,000,000 (equivalent to approximately HK\$742,500,000). The estimated total costs of development of the Project was estimated by a consultant quantity surveyor, independent from Subang Jaya and Mayland Valiant, based on the input and detailed studies by the management of Mayland Valiant on the development of the Development Land.

According to the Joint Venture Agreement, Subang Jaya's consent is required for any payment or contract sum in excess of RM500,000 (equivalent to approximately HK\$1,250,000) and any general expenses in excess of RM200,000 (equivalent to approximately HK\$500,000) before commitment. Furthermore, all contract sums exceeding RM1,000,000 (equivalent to approximately HK\$2,500,000) have to be awarded on a tender basis. Any contract sum of RM3,000,000 (equivalent to approximately HK\$7,500,000) or more has to be reviewed and approved unanimously by a tender committee comprising six members, with three members to be nominated by each of Subang Jaya and Mayland Valiant.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

Save as disclosed in this joint circular, no other connected person is, and going forward, it is expected that no other connected person will be, involved in the development of the Development Land as contractor or otherwise.

An Independent FEC Board Committee (comprising all the independent non-executive FEC Directors) has been formed to make recommendations to the Independent FEC Shareholders on the fairness and reasonableness of the terms of the Joint Venture Agreement and the transactions contemplated thereunder.

An Independent KHI Board Committee (comprising all the independent non-executive KHI Directors) has been formed to make recommendations to the Independent KHI Shareholders on the fairness and reasonableness of the terms of the Joint Venture Agreement and the transactions contemplated thereunder.

Investec has been appointed as the independent financial adviser to advise the Independent FEC Board Committee, the Independent KHI Board Committee, the Independent FEC Shareholders and the Independent KHI Shareholders with regards to the terms of the Joint Venture Agreement.

The terms of the Joint Venture Agreement were negotiated between the parties at arm's length. The FEC Directors (including the Independent FEC Directors whose views have been given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interests of FEC and the Independent FEC Shareholders as a whole.

The KHI Directors (including the Independent KHI Directors whose views have been given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interests of KHI and the Independent KHI Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Mayland Valiant is wholly-owned by Mayland Properties, which in turn is wholly-owned by Prestige Aspect, a company owned by Tan Sri Dato' David Chiu as to approximately 63.57%. Tan Sri Dato' David Chiu is an executive FEC Director, the chairman, chief executive officer and controlling shareholder of FEC, a non-executive KHI Director and the chairman of KHI. Mayland Valiant is therefore a connected person of both FEC and KHI under Rule 14A.11(4) of the Listing Rules. Further, as one or more of the applicable percentage ratios (as defined in the Listing Rules) of transactions contemplated under the Joint Venture Agreement exceed 5% but are less than 25% for both FEC and KHI, the entering into of the Joint Venture Agreement constitutes a discloseable and connected transaction of both FEC and KHI under Chapter 14 and Chapter 14A of the Listing Rules.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

The Joint Venture Agreement is subject to the reporting and announcement requirements of the Listing Rules.

The Joint Venture Agreement is also subject to the approval of the Independent FEC Shareholders and the Independent KHI Shareholders by way of poll at the FEC EGM and at the KHI EGM, respectively. As at the Latest Practicable Date, (i) Tan Sri Dato' David Chiu is interested in approximately 34.96% of the issued share capital of FEC and is therefore a controlling shareholder of FEC; and (ii) FEC is interested in approximately 73.1% of the issued share capital of KHI. By virtue of the interests of Tan Sri Dato' David Chiu in the issued share capital of FEC and KHI, and his directorships and other offices held in FEC and KHI, Tan Sri Dato' David Chiu, being a connected person of both FEC and KHI with a material interest in the Joint Venture Agreement, and his associates, will abstain from voting on resolutions in respect of the Joint Venture Agreement at the FEC EGM and the KHI EGM, respectively.

As FEC is an associate of Tan Sri Dato' David Chiu, companies of FEC Group which directly hold KHI Shares will also abstain from voting at the KHI EGM.

Further, Tan Sri Dato' David Chiu, being a FEC Director and a KHI Director, has not voted on and will abstain from voting on the relevant board resolutions of FEC and KHI, respectively.

Miss Winnie Chiu Wing Kwan, a KHI Director and a director of Mayland Properties, has not voted on and will also abstain from voting on the relevant board resolutions of KHI.

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, upscale and boutique hotels, and property investment, development and trading.

Mayland Valiant is wholly-owned by Mayland Properties, which in turn is wholly-owned by Prestige Aspect, a company owned by Tan Sri Dato' David Chiu as to approximately 63.57%. As far as the FEC Directors and the KHI Directors are aware after having made all reasonable enquiries, Mayland Properties is a property development company founded in 1995 by Tan Sri Dato' David Chiu and is one of the largest property developers in Malaysia, and the leading developer in terms of condominiums and serviced apartments alone. Mayland Properties has significant development in prime areas in Malaysia such as Kuala Lumpur, Selangor, Johor and Putrajaya.

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

THE FEC EGM

A notice convening the FEC EGM to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong at 11:30 a.m. on Monday, 31 October 2011, for the purpose of considering and, if thought fit, approving the Joint Venture Agreement and the transactions contemplated thereunder is set out on pages N-1 to N-2 of this joint circular.

The Joint Venture Agreement is subject to the approval of the Independent FEC Shareholders by way of poll at the FEC EGM. Tan Sri Dato' David Chiu, who, as at the Latest Practicable Date is interested in approximately 34.96% of the issued share capital of FEC, being a connected person of FEC with a material interest in the Joint Venture Agreement, and his associates, will abstain from voting on the resolutions in respect of the Joint Venture Agreement at the FEC EGM. Details of Tan Sri Dato' David Chiu and his associates' interests in FEC as at the Latest Practicable Date are as follows:

Capacity	Number of FEC Shares held	Approximate % of FEC's issued share capital
Beneficial owner	13,034,698	0.68%
Interest of spouse	557,000	0.03%
Interest of controlled corporations (<i>Note a</i>)	657,003,028	34.25%

Note a: 656,991,225 and 11,803 FEC Shares were directly held by Sumptuous Assets Limited ("Sumptuous") and Modest Secretarial Services Limited ("Modest") respectively, companies controlled by Tan Sri Dato' David Chiu.

The Independent FEC Board Committee, comprising Mr. Lam Kwong Siu, Mr. Chan Kwok Wai and Mr. Wong Man Kong Peter (being all the independent non-executive FEC Directors and who have no material interest in the Joint Venture Agreement and the transactions contemplated thereunder), has been established to make recommendations to the Independent FEC Shareholders in respect of voting on the resolution(s) to approve, amongst other things, the Joint Venture Agreement at the FEC EGM by way of poll.

FEC has sent to each FEC Shareholder a copy of this joint circular and a form of proxy for use at the FEC EGM. Whether or not FEC Shareholders are able to attend the FEC EGM in person, FEC Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to FEC's Hong Kong branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

time appointed for holding the FEC EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude FEC Shareholders from attending and voting in person at the FEC EGM or any adjourned meeting thereof should FEC Shareholders so wish.

THE KHI EGM

A notice convening the KHI EGM to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong at 10:00 a.m. on Monday, 31 October 2011, for the purpose of considering and, if thought fit, approving the Joint Venture Agreement and the transactions contemplated thereunder is set out on pages N-3 to N-4 of this joint circular.

The Joint Venture Agreement is further subject to the approval of the Independent KHI Shareholders by way of poll at the KHI EGM. Tan Sri Dato' David Chiu, who, as at the Latest Practicable Date is interested in approximately 73.49% of the issued share capital of KHI, being a connected person of KHI with a material interest in the Joint Venture Agreement, and his associates, including FEC, will abstain from voting on the resolutions in respect of the Joint Venture Agreement at the KHI EGM. Details of Tan Sri Dato' David Chiu and his associates' interests in KHI as at the Latest Practicable Date are as follows:

Capacity	Number of KHI Shares held	Approximate % of KHI's issued share capital
Interest of spouse	8,355	0.00%
Interest of controlled corporations (<i>Note a</i>)	1,469,773,254	73.49%

Note a: 7,773,254 KHI Shares were directly held by Sumptuous, and 1,462,000,000 KHI Shares were directly held by Ample Bonus Limited, a wholly-owned subsidiary of FEC. By virtue of the shares in FEC held by Sumptuous and Modest, Tan Sri Dato' David Chiu is deemed to be interested in the KHI Shares directly owned by Sumptuous and Ample Bonus Limited.

The Independent KHI Board Committee, comprising Mr. Shek Lai Him Abraham, Mr. To Peter and Dr. Liu Ngai Wing (being all the independent non-executive KHI Directors and who have no material interest in the Joint Venture Agreement and the transactions contemplated thereunder), has been established to make recommendations to the Independent KHI Shareholders in respect of voting on the resolution(s) to approve, amongst other things, the Joint Venture Agreement at the KHI EGM by way of poll.

KHI has sent to each KHI Shareholder a copy of this joint circular and a form of proxy for use at the KHI EGM. Whether or not KHI Shareholders are able to attend the KHI EGM in person, KHI Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to KHI's branch share

JOINT LETTER FROM THE FEC BOARD AND THE KHI BOARD

registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the KHI EGM. Completion and return of the form of proxy will not preclude KHI Shareholders from attending and voting in person at the KHI EGM should KHI Shareholders so wish.

RECOMMENDATION

The FEC Directors are of the opinion that the Joint Venture Agreement and the transactions contemplated thereunder are in the interests of FEC and the FEC Shareholders as a whole, and accordingly recommend the FEC Shareholders to vote in favour of the ordinary resolution to be proposed at the FEC EGM.

The KHI Directors are of the opinion that the Joint Venture Agreement and the transactions contemplated thereunder are in the interests of KHI and the KHI Shareholders as a whole, and accordingly recommend the KHI Shareholders to vote in favour of the ordinary resolution to be proposed at the KHI EGM.

In relation to the Joint Venture Agreement and the transactions contemplated thereunder, the attention of FEC Shareholders is drawn to the letter from the Independent FEC Board Committee on pages 18 to 19 of this joint circular and the attention of the KHI Shareholders is drawn to the letter from the Independent KHI Board Committee on pages 20 to 21 of this joint circular.

The attention of FEC Shareholders and KHI Shareholders is also drawn to the letter from Investec, set out on pages 22 to 32 of this joint circular.

ADDITIONAL INFORMATION

The attention of FEC Shareholders and KHI Shareholders is also drawn to the additional information set out in the appendices to this joint circular.

Yours faithfully
For and on behalf of
Far East Consortium International Limited
CHEUNG, Wai Hung Boswell
*Chief Financial Officer and
Company Secretary*

Yours faithfully
For and on behalf of
Kosmopolito Hotels International Limited
MOK, Kwai Pui Bill
*President and
Executive Director*

LETTER FROM THE INDEPENDENT FEC BOARD COMMITTEE



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

14 October 2011

To the Independent FEC Shareholders

Dear Sirs or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ESTABLISHMENT OF JOINT VENTURE**

We refer to the joint circular of Far East Consortium International Limited and Kosmopolito Hotels International Limited dated 14 October 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings herein unless the context requires otherwise.

We have been appointed as the Independent FEC Board Committee and to advise the Independent FEC Shareholders in respect of the fairness and reasonableness of the terms of the Joint Venture Agreement and the respective transactions contemplated thereunder. Investec has been appointed as the independent financial adviser of FEC to advise us in this respect.

Your attention is drawn to the joint letter from the FEC Board and the KHI Board set out on pages 6 to 17 of the Circular, which sets out information relating to, inter alia, the Joint Venture Agreement. We also draw your attention to the letter from Investec as set out on pages 22 to 32 of the Circular, which contains its advice to us regarding the Joint Venture Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FEC BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by and the recommendation of Investec, the Independent FEC Board Committee considers the terms of the Joint Venture Agreement are fair and reasonable as far as the Independent FEC Shareholders are concerned, and the Joint Venture Agreement is in the interests of FEC and the FEC Shareholders as a whole. We therefore recommend the Independent FEC Shareholders to vote in favour of the resolution(s) in respect of the Joint Venture Agreement to be proposed at the FEC EGM.

Yours faithfully,

Independent FEC Board Committee

LAM Kwong Siu WONG Man Kong Peter CHAN Kwok Wai

Independent Non-Executive FEC Directors

LETTER FROM THE INDEPENDENT KHI BOARD COMMITTEE



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)

14 October 2011

To the Independent KHI Shareholders

Dear Sirs or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ESTABLISHMENT OF JOINT VENTURE**

We refer to the joint circular of Far East Consortium International Limited and Kosmopolito Hotels International Limited dated 14 October 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings herein unless the context requires otherwise.

We have been appointed as the Independent KHI Board Committee and to advise the Independent KHI Shareholders in respect of the fairness and reasonableness of the terms of the Joint Venture Agreement and the respective transactions contemplated thereunder. Investec has been appointed as the independent financial adviser of KHI to advise us in this respect.

Your attention is drawn to the joint letter from the FEC Board and the KHI Board set out on pages 6 to 17 of the Circular, which sets out information relating to, inter alia, the Joint Venture Agreement. We also draw your attention to the letter from Investec as set out on pages 22 to 32 of the Circular, which contains its advice to us regarding the Joint Venture Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT KHI BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by and the recommendation of Investec, the Independent KHI Board Committee considers that the terms of the Joint Venture Agreement are fair and reasonable as far as the Independent KHI Shareholders are concerned, and the Joint Venture Agreement is in the interests of KHI and the KHI Shareholders as a whole. We therefore recommend the Independent KHI Shareholders to vote in favour of the resolution(s) in respect of the Joint Venture Agreement to be proposed at the KHI EGM.

Yours faithfully

Independent KHI Board Committee

TO Peter SHEK Lai Him Abraham LIU Ngai Wing

Independent Non-Executive KHI Directors

LETTER FROM INVESTEC

The following is the full text of the letter of advice from Investec to the Independent FEC Board Committee, the Independent KHI Board Committee, the Independent FEC Shareholders and the Independent KHI Shareholders prepared for inclusion into this joint circular.



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www.investec.com

14 October 2011

*To: The Independent FEC Board Committee, the Independent KHI Board Committee,
the Independent FEC Shareholders and the Independent KHI Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF JOINT VENTURE

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent FEC Board Committee, the Independent KHI Board Committee, the Independent FEC Shareholders and the Independent KHI Shareholders with regard to the Joint Venture Agreement, details of which are set out in the joint letter from the FEC Board and the KHI Board (the “Letter from the Board”) contained in the joint circular of FEC and KHI dated 14 October 2011 (the “Circular”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 11 October 2011, Subang Jaya entered into the Joint Venture Agreement with Mayland Valiant whereby Subang Jaya and Mayland Valiant will, amongst other things, jointly develop the Project.

Under the Joint Venture, Subang Jaya as the proprietor will provide the Development Land, whilst Mayland Valiant as the developer shall, amongst other things, pay the Development Costs.

Mayland Valiant is wholly-owned by Mayland Properties, which in turn is wholly-owned by Prestige Aspect, a company owned by Tan Sri Dato’ David Chiu as to 63.57%. Tan Sri Dato’ David Chiu is an executive FEC Director, the chairman, chief executive officer and controlling shareholder of FEC, a non-executive KHI Director and the

LETTER FROM INVESTEC

chairman of KHI. Mayland Valiant is therefore a connected person of both FEC and KHI under Rule 14A.11(4) of the Listing Rules. Further, as one or more of the applicable percentage ratios (as defined in the Listing Rules) of transactions contemplated under the Joint Venture Agreement exceed 5% but are less than 25% for both FEC and KHI, the entering into of the Joint Venture Agreement constitutes a discloseable and connected transaction of both FEC and KHI under Chapter 14 and Chapter 14A of the Listing Rules. The Joint Venture Agreement is subject to the approval of the Independent FEC Shareholders and Independent KHI Shareholders by way of poll at the FEC EGM and KHI EGM, respectively.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent FEC Board Committee comprising all the Independent FEC Directors and the Independent KHI Board Committee comprising all the Independent KHI Directors have been established to advise the Independent FEC Shareholders and the Independent KHI Shareholders, respectively, as to the fairness and reasonableness of the terms of the Joint Venture Agreement and the respective transactions contemplated thereunder. As the independent financial adviser to the Independent FEC Board Committee, the Independent KHI Board Committee, the Independent FEC Shareholders and the Independent KHI Shareholders, our role is to give an independent opinion as to (i) whether or not the Joint Venture Agreement is in the interests of FEC, KHI, the FEC Shareholders and the KHI Shareholders as a whole; (ii) whether or not the terms of the Joint Venture Agreement, and the transactions contemplated thereunder are fair and reasonable; and (iii) how the Independent FEC Shareholders and the Independent KHI Shareholders should vote in respect of the respective resolutions to approve the Joint Venture Agreement and the transactions contemplated thereunder at the respective FEC EGM and the KHI EGM.

III. BASES AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by FEC, KHI, the FEC Directors and/or the KHI Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by FEC, KHI, their respective senior management staff, the FEC Directors and/or the KHI Directors and for which they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the FEC Directors and/or the KHI Directors and/or the senior management staff of FEC and KHI contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from FEC, KHI, their respective senior management staff, the FEC Directors and/or the KHI Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM INVESTEC

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by FEC, KHI, their respective senior management staff, the FEC Directors and/or the KHI Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of FEC or KHI or any of their respective subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Principal activities of the KHI Group

The KHI Group is principally engaged in the developing, owning and operating of value, mid-scale, upscale and boutique hotels. The financial results of the KHI Group for each of the two years ended 31 March 2011, as extracted from KHI's annual report for the year ended 31 March 2011 (the "2011 Annual Report") are summarised as below.

	For the year ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue from:		
- Hong Kong	517,073	339,913
- Malaysia	266,323	241,782
- Other regions in the PRC	83,704	34,558
	<u>867,100</u>	<u>616,253</u>
Depreciation and amortisation	(98,166)	(68,325)
Management fee	—	(2,239)
Operating costs	<u>(296,648)</u>	<u>(213,944)</u>
Gross profit	472,286	331,745
Profit before taxation	235,724	55,619
Profit for the year	208,404	45,813

LETTER FROM INVESTEC

As shown in the above table, the KHI Group generated revenue of approximately HK\$867.1 million for the year ended 31 March 2011, representing an increase of approximately 40.7% over the corresponding year primarily as a result of a strong recovery of the KHI Group's revenue per available room. The KHI Group recorded a profit attributable to KHI Shareholders of approximately HK\$208.4 million for the year ended 31 March 2011, representing an increase of approximately HK\$162.6 million or 355.0% over the year ended 31 March 2010.

As set out in the 2011 Annual Report, the KHI Group is actively seeking investment and other asset-light and cost-effective business opportunities with a view to grow its brand distribution and revenues to create value for the shareholders. The management believes that the two-prong growth engine will help grow KHI's brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs. This stated strategy of seeking growth in KHI Shareholders' value without taking on significant capital expenditures or commitment is consistent with the arrangements under the Joint Venture, whereby KHI would contribute the Development Land with Mayland Valiant to bear all the financial commitments as further described below in this letter.

2. Information on Mayland

Mayland Valiant is wholly-owned by Mayland Properties. Mayland Properties is a property development company founded in 1995 by Tan Sri Dato' David Chiu and has since completed and delivered over 20,000 units of homes and various commercial properties. It is one of the largest property developers in Malaysia and the leading developer, in terms of condominiums and serviced apartments alone. Mayland Properties has significant development in prime areas in Malaysia such as Kuala Lumpur, Selangor, Johor and Putrajaya.

3. Reasons for and benefits of the Joint Venture Agreement

As stated in the Letter from the Board, the Land, of which the Development Land forms part, is currently occupied by Grand Dorsett Subang Hotel, a hotel which is owned and operated by the KHI Group. Part of the Development Land is occupied by the swimming pool and parking facilities of the Grand Dorsett Subang Hotel (both of which will be relocated and such relocation costs will be included as part of the Development Costs), with the remainder of the Development Land being left as an open area. Considering the relocation of existing facilities including the swimming pool and the car park and that the development site is on the outskirts of the hotel, KHI considers that the Project will not affect the existing operation of Grand Dorsett Subang Hotel. The Joint Venture provides a good opportunity for the development of the Development Land without the need for the KHI Group to contribute any further capital towards its development. As set out in the 2011 Annual Report, the KHI Group is actively seeking investment as well as other asset-light and cost effective business opportunities with a view to grow its brand distribution and revenues to create value

LETTER FROM INVESTEC

for the KHI Shareholders. KHI Directors believe that the two-prong growth engine will help grow KHI's brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs. The arrangements under the Joint Venture Agreement are consistent with this approach.

As disclosed in the prospectus dated 28 September 2010 in relation to the listing of KHI Shares on the Stock Exchange, KHI has been in the process of formulating plans for some of the vacant land located on the site of the Grand Dorsett Subang Hotel that has not previously been used. The KHI Directors are of the view that the development of such vacant land into hotel suite apartments for sale to the public can create the highest value and return for the KHI Shareholders. In this connection, we have discussed with the KHI Directors the feasibility that if the Project were to be undertaken solely by KHI and in such case, KHI would be able to maximise the investment return. However, in the absent of local development experience, the KHI Directors believe that it is necessary to collaborate with a developer with proven track record of property development in Malaysia in order to maximise the return and, at the same time, to minimise the development risks. Under the current proposal, the KHI Group is only required to contribute the Development Land into the Joint Venture without incurring any part of the Development Costs, which is currently estimated to be significantly higher than the attributed value of the Development Land. In particular, the value of contribution of Subang Jaya to the Joint Venture in the form of the Development Land was arrived at after arms' length negotiations between Subang Jaya and Mayland Valiant, taking into account the attributed value of the Development Land of RM65,000,000 (equivalent to approximately HK\$162,500,000) and the estimated total costs of development of the Project of approximately RM297,000,000 (equivalent to approximately HK\$742,500,000). The estimated total costs of development of the Project was estimated by a consultant quantity surveyor independent from Subang Jaya and Mayland Valiant, based on the input and detailed studies by the management of Mayland Valiant on the Development Land.

According to the Joint Venture Agreement, Subang Jaya's consent is required for any payment or contract sum in excess of RM500,000 (equivalent to approximately HK\$1,250,000) and any general expenses in excess of RM200,000 (equivalent to approximately HK\$500,000) before commitment. Furthermore, all contracts of RM1,000,000 (equivalent to approximately HK\$2,500,000) have to be awarded on a tender basis. Any contracts sum of RM3,000,000 (equivalent to approximately HK\$7,500,000) or more have to be reviewed and approved unanimously by a tender committee which comprising of three members from each of Subang Jaya and Mayland Valiant.

By reason of the extensive experience and market reputation of Mayland Properties (a company founded in 1995 that has since completed and delivered over 20,000 units of residential and commercial properties) in developing innovative and quality residential and commercial properties in Malaysia, the KHI Directors believe that Mayland Valiant, a wholly-owned subsidiary of Mayland Properties, is a suitable partner in this development.

LETTER FROM INVESTEC

In summary, given that (i) the Development Land is currently used as car parks and does not generate any meaningful income to KHI; (ii) the development of the Development Land into hotel suite apartments for sale to the public can improve the value of the asset; (iii) the development of the Development Land through the establishment of the Joint Venture would be able to minimise the investment risk of the KHI Group as it is only required to contribute the Development Land into the Joint Venture without incurring any part of the Development Costs; and (iv) the experience of Mayland Valiant as a developer will contribute significantly to the Joint Venture, we are of the view that the KHI Group's proposed development of the Development Land with Mayland Valiant through the Joint Venture is in the interests of both KHI, FEC and their respective shareholders as a whole.

4. Principal terms of the JV Agreement

Date of agreement: 11 October 2011

Parties:

- (i) Mayland Valiant, a company wholly-owned by Mayland Properties, which in turn is wholly-owned by Prestige Aspect, a company owned by Tan Sri Dato' David Chiu as to 63.57%. Tan Sri Dato' David Chiu is an executive FEC Director, the chairman, chief executive officer and controlling shareholder of FEC, a non-executive KHI Director and the chairman of KHI.
- (ii) Subang Jaya, a wholly-owned subsidiary of KHI and an indirect non wholly-owned subsidiary of FEC.

Formation and Purpose of the Joint Venture

Pursuant to the Joint Venture Agreement, Subang Jaya and Mayland Valiant have agreed to, amongst other things, jointly develop the Project.

Subang Jaya as the proprietor will, under the Joint Venture, provide the Development Land on which the Project will be situated. The parties have attributed a value of RM65,000,000 (equivalent to approximately HK\$162,500,000) to the Development Land, based on a valuation report on the Development Land dated 24 August 2011. Subang Jaya will not be required to contribute any further cash or other assets into the Joint Venture.

Mayland Valiant as the developer shall, under the Joint Venture, amongst other things, pay for all premiums, contributions and other payments incurred on the Development Land, together with direct costs incurred for the development of the Project and all costs now or hereafter chargeable or imposed by the relevant authorities of Malaysia in respect of the development of the Project, conditional on the satisfaction of the Conditions and approval of the building plans by such relevant authorities. All such payments shall be capitalised as Development Costs. Although the legal ownership of the Development Land will not be

LETTER FROM INVESTEC

transferred to Mayland Valiant, Mayland Valiant, holding a power of attorney issued by Subang Jaya, shall also be responsible for obtaining all necessary approvals from the relevant authorities in respect of the Project. As at the Latest Practicable Date, Mayland Valiant has already obtained the development order from the local council. Mayland Valiant has also submitted a building plan for the Development Land and the approval from the local council is expected to be obtained by December 2011. Mayland Valiant and Subang Jaya do not foresee any obstacles in obtaining approval of the building plan.

If the above approval cannot be obtained, Subang Jaya and Mayland Valiant have agreed that the Project will not proceed, and Subang Jaya will take responsibility for all the preliminary expenses incurred until the date both parties confirm the termination of the Project in the above circumstances. As at the Latest Practicable Date, the total amount of preliminary expenses including all fees paid to the relevant consultants (architect, engineers and quantity surveyor) incurred in relation to the Project is approximately RM1,500,000 (equivalent to approximately HK\$3,750,000).

The performance of the obligations of the parties to the Joint Venture Agreement is conditional on the satisfaction of the following Conditions:

- (i) Subang Jaya, FEC and KHI having obtained the approval of the contents and execution of the Joint Venture Agreement by Subang Jaya, from by their respective boards of directors, and the approval of the Independent FEC Shareholders and the Independent KHI Shareholders (as applicable), together with the approval of any regulatory body that Subang Jaya may be subject to; and
- (ii) Mayland Valiant having obtained the approval from its shareholders and board of directors of the contents and execution of the Joint Venture Agreement.

If the approvals set out in the Conditions are not obtained within three months from the date of the Joint Venture Agreement, or such other time as maybe mutually agreed upon by Subang Jaya and Mayland Valiant, either party shall be entitled to terminate the Joint Venture Agreement by giving 30 days' prior written notice, upon expiry of which Subang Jaya will refund all money paid by Mayland Valiant under or arising from the Joint Venture Agreement (if any), including any preliminary costs incurred in connection with the Project, in exchange for which Mayland Valiant shall, amongst other things, hand over the Development Land, free from encumbrances attributable to Mayland Valiant.

Within 14 days of the fulfillment of the Conditions or delivery of vacant possession of the Development Land by Subang Jaya, whichever is the later, Mayland Valiant will pay Subang Jaya the Advance Payment, which will form part of the Subang Jaya Entitlement.

LETTER FROM INVESTEC

The Project

The current proposal is to develop the Project into approximately 1,989 units of hotel suite apartments in two 17-storey high apartment blocks, with a car park providing approximately 1,329 parking spaces. The total net floor area for the Project is approximately 91,000 square metres. The expected completion time for the Project will be five years (unless mutually extended by Subang Jaya and Mayland Valiant) from the Development Commencement Date.

Project Management for the Development

The development of the Project is to be conducted on a joint venture basis as between Subang Jaya and Mayland Valiant, and for this purpose Subang Jaya has been granted a right under the Joint Venture Agreement to appoint no less than half of the members of the board of directors of Mayland Valiant with one of such appointees being the chairman of the board, with a casting vote. All directors of Mayland Valiant appointed by Subang Jaya shall retire upon termination of the Joint Venture Agreement.

Profit Sharing

Under the Joint Venture Agreement, Subang Jaya provides the Development Land for the development while Mayland Valiant provides the technical, commercial, financial management and property marketing and sales expertise and bears the Development Costs, and Subang Jaya and Mayland Valiant are each entitled to 50% of the Development Profit (the Subang Jaya Entitlement and the Mayland Valiant Entitlement, respectively), being the audited profit before tax derived from the audited accounts of Mayland Valiant, prepared in accordance with accepted and legal accounting standards and conventions applicable at the relevant time in Malaysia having taken into account, amongst other things, all Development Costs for the completion of the Project and development of the Development Land and the value attributable to the Development Land.

The amount of Development Costs as a whole will be deducted from the gross sales from the Project prior to the distribution of the Development Profit to Subang Jaya and Mayland Valiant. After the determination of the Development Profit, such Development Profit will be shared between Subang Jaya and Mayland Valiant in accordance with the Joint Venture Agreement, and there will not be any further reimbursements to Subang Jaya or Mayland Valiant prior to such distribution.

The Development Profit shall be distributable to Subang Jaya and Mayland Valiant following the receipt of the certificate of compliance and completion for each phase of the Project and within one month after the relevant approvals have been obtained from the Minister of Housing and the relevant authorities of Malaysia, where the sale of the Project may not be completed. The Advance Payment shall be taken into account in the calculation of the Subang Jaya Entitlement and the value attributable to the Development Land.

LETTER FROM INVESTEC

Mayland Valiant will be responsible for the marketing and sales of the Project, including the determination of the selling price which will be approved and accepted by both Subang Jaya and Mayland Valiant.

Under the Joint Venture Agreement, Subang Jaya and Mayland Valiant will also bear 50% of the losses each. All costs, stamp fees and other charges in connection with the Joint Venture Agreement shall be borne equally by Mayland Valiant and Subang Jaya in equal shares.

Since the Development Land is not transferred to Mayland Valiant at present, the agreed value attributable to the Development Land will be paid to Subang Jaya upon the completion of phase 1 of the Project. As Mayland Valiant is a single purpose vehicle established solely for the Project, it has no prior liabilities or assets.

As mentioned above, the Development Costs were estimated to be RM297,000,000 (equivalent to approximately HK\$742,500,000). Should the Development Costs exceed RM297,000,000 (equivalent to approximately HK\$742,500,000), any amount exceeded such budget will also be accounted for as the Development Costs for calculating the Development Profit. However, if Mayland Valiant needs to fund the Project by bank financing, any related finance costs will not be accounted for as the Development Costs and will be solely borne by Mayland Valiant.

The Project will be pre-sold after all approvals have been obtained from the relevant authorities, which is expected to be within 6 months from the date of the Joint Venture Agreement, prior to the completion of construction of the Project. Subject to cash reserves necessary for the completion of the Project, any predetermined Development Profit will be distributed to Subang Jaya and Mayland Valiant so as to maximise cash utility and return to Subang Jaya and Mayland Valiant as soon as possible. In the event when the sale of the Project has not been completed upon the profit distribution, Mayland Valiant will continue to market the unsold units for another three (3) years from the date of completion of the Project. Thereafter, any unsold units will be shared between Subang Jaya and Mayland Valiant on a fair basis (such as corner units, units on higher or lower floors).

5. Evaluation of the Project

As KHI will contribute the Development Land and Mayland Valiant will be responsible for the development costs for the Joint Venture and each would be entitled to 50% of the Development Profit, we consider the comparison of the value of the Development Land and the Development Costs to be the key factor in determining the fairness and reasonableness of the Joint Venture Agreement. In this regard, we note that the Circular has contained a valuation report on the Development Land (the "Valuation Report"), which has been conducted by an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd. (the "Valuer"), as set out in Appendix I to the Circular.

LETTER FROM INVESTEC

Based on our review of the Valuation Report, we understand that the Valuer has prepared the valuation of the Development Land of RM65,000,000 (equivalent to approximately HK\$162,500,000) based on the market approach.

We have reviewed the Valuation Report prepared by the Valuer and have discussed with them regarding the methodology of, and bases and assumptions adopted for, the valuation of the Development Land as contained in the report. Valuer valued the Development Land based on market value approach in its current state where the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We understand the above-mentioned approach is a commonly adopted approach for valuation of commercial properties and we consider that the methodology used is generally in line with market practice and furnishes a reliable indication of value for the Development Land.

We note that the valuation of the Development Land of RM65,000,000 (equivalent to approximately HK\$162,500,000) is significantly less than the estimated total cost of development of RM297,000,000 (equivalent to approximately HK\$742,500,000) prepared by an independent surveyor.

With regard to the estimated total cost of development of RM297,000,000 (equivalent to approximately HK\$742,500,000) prepared by the independent surveyor, we have obtained and reviewed their calculation of the estimated development cost and discussed with them regarding the basis of estimation and underlying assumptions. We are of the view that such estimation of the development costs has been arrived at on a fair and reasonable basis.

As for other terms of the Joint Venture Agreement, we note that Subang Jaya has been granted a right to appoint not less than half of the members of the board of directors of Mayland Valiant with one of such appointees being the chairman of the board, with a casting vote.

Taking into account (i) the valuation of the Development Land of RM65,000,000 (equivalent to approximately HK\$162,500,000) is significantly less than the Development Costs of approximately RM297,000,000 (equivalent to approximately HK\$742,500,000) and KHI's entitlement of 50% of the Development Profit; (ii) Subang Jaya has the right to appoint not less than half of the board of directors of Mayland Valiant; and (iii) the risk and reward from the Joint Venture will be shared by Subang Jaya and Mayland Valiant on a 50:50 basis, we are of the view that the terms of the Joint Venture Agreement to be fair and reasonable and in the interests of FEC, KHI and their respective shareholders.

LETTER FROM INVESTEC

V. RECOMMENDATION

Having considered the principal factors and reasons as set out above, we are in the opinion that the Joint Venture Agreement is in the interests of FEC, KHI and their respective shareholders as a whole and the terms of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of FEC and KHI. Therefore, we would advise the Independent FEC Board Committee and Independent KHI Board Committee to recommend the Independent FEC Shareholders and Independent KHI Shareholders, respectively, that they should vote in favour of the relevant resolutions to approve the Joint Venture Agreement and the transactions contemplated thereunder at the respective FEC EGM and KHI EGM.

Yours faithfully

For and on behalf of

Investec Capital Asia Limited

Alexander Tai

Executive Director

APPENDIX I PROPERTY VALUATION OF THE DEVELOPMENT LAND

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this joint circular received from the independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd., in connection with the valuation of the property interests held by Subang Jaya Hotel Development Sdn Bhd as at 4 August 2011.

Raine & Horne 

**Raine & Horne International
Zaki + Partners Sdn. Bhd.**

(Company No. 99440-T)

**Perpetual 99, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur, Malaysia**

Telephone : 03-2698 0911

Fax : 03-2691 1959

Email : rhizpkl@streamyx.com

The Directors
Subang Jaya Hotel Development Sdn Bhd
Grand Dorsett Subang Hotel Kuala Lumpur
Jalan SS 12/1
47500 Subang Jaya
Selangor Darul Ehsan
MALAYSIA

24 August 2011

Dear Sirs,

RE: PART OF LOT NOS. 4244 AND 4245 HELD UNDER TITLE NOS. GRN 38842 AND 38843 RESPECTIVELY, MUKIM OF DAMANSARA, DISTRICT OF PETALING, STATE OF SELANGOR (A COMMERCIAL LAND APPROVED FOR HOTEL SUITES WITH LEISURE FACILITIES MEASURING APPROXIMATELY 3.385 ACRES)

1. INSTRUCTION

In pursuance to the instruction for us to carry out market valuations of the above captioned property held by Subang Jaya Hotel Development Sdn Bhd (the “Company” or “Subang Jaya”), an indirect wholly owned subsidiary of Kosmopolito Hotels International Limited, we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Market Value of the property as at 4 August 2011 (referred to as the “valuation date”).

2. BASIS OF VALUATION

Our basis of valuation is our opinion of the Market Value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

3. METHOD OF VALUATION

In arriving at the Market Value of the subject property, we have adopted as our main approach, the **Comparison Method of Valuation**.

This method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size, improvements made if any, surrounding developments, facilities and amenities available.

4. ASSUMPTIONS

Our valuation also has been made on the assumption that the property can be sold on the open market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property.

We have assumed that all consent, approvals and licenses from relevant government for rights to use and occupy the property have been granted and in good validation status.

We have also assumed that the subject property can be freely transferred and leased without any additional land premium or substantial costs payable to the relevant government.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

5. TITLE INVESTIGATION

We have been provided with extracts of title documents relating to the property. In addition, we have caused searches to be made at the appropriate government registries of property. However, we have not searched the original documents to verify ownership nor to

APPENDIX I PROPERTY VALUATION OF THE DEVELOPMENT LAND

verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only and no responsibility regarding title to the property is assumed in this report.

6. LIMITING CONDITIONS

We have carried out inspection of the property; however, we have not carried out site investigation to determine the suitability of the ground condition or the services provided. All dimensions, measurements and arrears are based on information supplied by the Company and where possible, they will be verified by us by reference to the copies of documents made available to us.

While due care is taken to note building defects in the course of inspection no structural survey is made nor any inspection of woodwork or other parts of the structure which are covered or inaccessible and we are therefore unable to report that such part of the property are free of hidden defects or concealed infestation.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on matters such as statutory notices, tenure, occupancy, site and floor areas and in identification of the property.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have relied on the client's confirmation that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any charge, mortgage or amount owing on neither property interest nor expense or taxation which may incurred in effecting a sale. We have assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect their value.

7. CURRENCY

The Market Values of all the subject property are stated in Ringgit Malaysia. The exchange rate adopted in our valuation is RM1 = HK\$2.39, which was the approximate prevailing exchange rates as at the date of valuation.

8. REMARKS

The property's interest has been valued as follows:-

**Market Values as at
4 August 2011**

PART OF LOT NOS. 4244 AND 4245 HELD UNDER TITLE NOS. GRN 38842 AND 38843 RESPECTIVELY, MUKIM OF DAMANSARA, DISTRICT OF PETALING, STATE OF SELANGOR (A COMMERCIAL LAND APPROVED FOR HOTEL SUITES WITH LEISURE FACILITIES DEVELOPMENT)

****RM65,000,000.00**

** BASED ON THE NEW DEVELOPMENT PROPOSAL, THE LAND MEASURING APPROXIMATELY 3.385 ACRES (13,698.62 SQ. METRES / 147,450.60 SQ. FT.), VACANT AS WELL AS, EXCLUDING THE EXISTING STRUCTURES AND IMPROVEMENTS ERECTED THEREON.

We enclosed herewith our valuation certificate.

Yours faithfully,

For and on behalf of
Raine & Horne International Zaki + Partners Sdn. Bhd.
Noriha Binti Harun
Registered Valuer (MIS)
Reg. No. V-634
Director

Note: Noriha Binti Harun is a Member of the Malaysia Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 21 years experience in valuation properties in Malaysia for listed companies.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 4 August 2011
<p>Part of two (2) adjoining parcels of vacant commercial land approved for hotel suites development with leisure facilities.</p> <p>The subject property forms part and parcel of a hotel development consist of three (3) storey podium with eight (8) storey (known as Superior Tower) and fourteen (14) storey (known as Deluxe Tower) hotel towers as well as a double storey restaurant and a four (4) storey car park building known as GRAND DORSETT SUBANG HOTEL.</p>	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Areas:</p> <p>Lot 4244 : 19,474 sq. metres (209,616 sq. ft.)</p> <p>Lot 4245 : 18,308 sq. metres (197,065 sq. ft.)</p> <p>The lands are of freehold interests and to be used for commercial buildings only.</p> <p>The lands are held under Lot Nos. 4244 and 4245 held under Title Nos. GRN 38842 and 38843, Mukim of Damansara, District of Petaling, State of Selangor Annual government rent:-</p> <p>Lot 4244 : RM38,734.00</p> <p>Lot 4245 : RM36,415.00</p>	<p>Vacant</p>	<p>**RM65,000,000.00</p>

APPENDIX I PROPERTY VALUATION OF THE DEVELOPMENT LAND

Notes:

**** BASED ON THE NEW DEVELOPMENT PROPOSAL, THE LAND MEASURING APPROXIMATELY 3.385 ACRES (13,698.62 SQ. METRES / 147,450.60 SQ. FT.), VACANT AS WELL AS, EXCLUDING THE EXISTING STRUCTURES AND IMPROVEMENTS ERECTED THEREON.**

- (i) The ownership of the property is Subang Jaya Hotel Development Sdn Bhd; (Company No. 44190-A).
- (ii) Both the lands are charged to AFFIN BANK BERHAD dated 28 March 2008. The Company confirmed that the charge will not affect the Project development, and the Project will not vary the terms of the charge.
- (iii) Lot No 4245

The land is partly leased to TENAGA NASIONAL BERHAD (National Electricity Board) for 30 years from 1st February 1987 and expiring on 31st January 2017 without rent. As confirmed by the Malaysian legal counsel of Subang Jaya, such lease is compulsory under the law and land owners in Malaysia are required to lease the required portions of land for electricity sub-station without rental.

The Joint Venture Agreement will not result in Subang Jaya's breach of the lease with Tenaga Nasional Berhad.

A part of the Development Land is leased to a car park operator on a monthly basis for RM40,000 (equivalent to approximately HK\$100,000) per month. The Company confirmed that as the lease agreement is renewed monthly, once the Development commence, Subang Jaya will duly give notice to the car park operator to relocate.

- (iv) The property is situated within an area zoned for commercial use, and as confirmed by the Malaysian legal counsel of Subang Jaya, includes the development and sale of hotel suite apartments with leisure facilities.
- (v) The status of the title in accordance with the information provided by the Group is summarized as follows:

Certificate of Real Estate Ownership	Yes
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- (vi) The existing use of the Development Land is a 3 storey elevated car park and an open car park space with certain area used as part of the existing hotel service circulation.
- (vii) As confirmed by the Company, the current proposal is to develop the Project into approximately 1,989 units of hotel suite apartments in two 17-storey high apartment blocks, with a car park providing approximately 1,329 parking spaces. The total net floor area for the Project is approximately 91,000 square metres. As confirmed by the Company, the Company has obtained planning consent from the local council and also submitted architectural plans to the local council for approval. The Company also confirmed that there are no material conditions affecting the Development and there are no other conditions imposed on the Development.

1. RESPONSIBILITY STATEMENT

This joint circular, for which the FEC Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to FEC. The FEC Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint circular relating to the FEC Group is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this joint circular misleading.

2. DISCLOSURE OF INTERESTS BY FEC DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the FEC Directors and the chief executive of FEC had the following interests and short positions in FEC Shares, underlying FEC Shares or debentures of FEC or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to FEC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of FEC was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to FEC and the Stock Exchange:

(a) Long positions in FEC Shares

Name of Director	Capacity	Number of FEC Shares held (long position)	Approximate percentage of issued FEC Shares
Tan Sri Dato' Chiu David	Beneficial owner	13,034,698	0.68%
	Interest of spouse	557,000	0.03%
	Interest of controlled corporations	<i>Note 1</i> 657,003,028	34.25%
Mr. Chiu Dennis	Beneficial owner	8,757	0.00%
	Interest of controlled corporations	<i>Note 2</i> 5,241,905	0.27%

Name of Director	Capacity	Number of FEC Shares held (long position)	Approximate percentage of issued FEC Shares
Mr. Chiu Tat Jung Daniel	Beneficial owner	44,561	0.00%
	Interest of controlled corporation	<i>Note 3</i> 3,877,218	0.20%

Notes:

1. 656,991,225 FEC Shares were held by Sumptuous Assets Limited and 11,803 FEC Shares were held by Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' Chiu David.
2. 1,364,687 FEC Shares were held by Chiu Capital N.V., a company controlled by Mr. Chiu Dennis, and 3,877,218 FEC Shares are held by First Level Holdings Limited, a company controlled by Mr. Chiu Dennis and Mr. Chiu Tat Jung Daniel.
3. These FEC Shares were held by First Level Holdings Limited, a company controlled by Mr. Chiu Dennis and Mr. Chiu Tat Jung Daniel, and are entirely duplicated and included in the corporate interest of Mr. Chiu Dennis.

(b) Interests in associated corporations

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares of the associated corporation held	Approximate % of the relevant issued share capital of the associated corporation
Tan Sri Dato' Chiu David	KHI	Interest of spouse	8,355	0.00%
		Interest of controlled corporations	<i>Note 1</i> 1,469,773,254	73.49%
	Oi Tak Enterprises Limited	Interest of controlled corporation	<i>Note 2</i> 250,000	25.00%
Mr. Chiu Dennis	KHI	Beneficial owner	30	0.00%
		Interest of controlled corporations	<i>Note 3</i> 78,423	0.00%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares of the associated corporation held	Approximate % of the relevant issued share capital of the associated corporation
Mr. Chiu Tat Jung Daniel	KHI	Interest of controlled corporation	Note 4 58,158	0.00%

Notes:

1. 7,773,254 KHI Shares were held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' Chiu David. 1,462,000,000 KHI Shares were held by Ample Bonus Limited, a wholly owned subsidiary of FEC. Tan Sri Dato' Chiu David owned approximately 34.2% interest in FEC, and was therefore deemed to be interested in the KHI Shares held by Ample Bonus Limited.
2. These shares in Oi Tak Enterprises Limited were held by Commodious Property Limited, a company controlled by Tan Sri Dato' Chiu David.
3. 20,265 KHI Shares were held by Chiu Capital N.V., a company controlled by Mr. Chiu Dennis, and 58,158 KHI Shares were held by First Level Holdings Limited, a company controlled by Mr. Chiu Dennis and Mr. Chiu Tat Jung Daniel.
4. These KHI Shares were held by First Level Holdings Limited, a company controlled by Mr. Chiu Dennis and Mr. Chiu Tat Jung Daniel, and are entirely duplicated and included in the interest of controlled corporation of Mr. Chiu Dennis.

Save as disclosed above, as at the Latest Practicable Date, none of the FEC Directors or the chief executive of FEC had any interests or short positions in the FEC Shares, underlying FEC Shares and/or debentures of FEC and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to FEC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such FEC Director or chief executive of FEC was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to FEC and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the FEC Directors or chief executive of FEC, the persons (“FEC Substantial Shareholders”) (other than the FEC Directors or the chief executive of FEC) who had an interest or short position in FEC Shares or underlying FEC Shares which would fall to be disclosed to FEC under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of FEC Substantial Shareholder	Capacity	Number of FEC Shares held	Approximate % of issued FEC Shares
Sumptuous Assets Limited	Beneficial owner	<i>Note 1</i> 656,991,225 (long position)	34.25%
Penta Investment Advisers Limited	Investment manager	<i>Note 2</i> 556,773,697 (long position)	29.02%
Penta Master Fund, Limited	Beneficial owner	178,575,797 (long position)	9.30%
Mr. Chiu Te Ken Deacon	Beneficial owner	12,474,691 (long position)	0.65%
	Interest of controlled corporations	<i>Note 3</i> 134,631,343 (long position)	7.02%
	Interest of spouse	1,555,958 (long position)	0.08%
Ms. Chiu Ju Ching Lan	Beneficial Owner	1,555,958 (long position)	0.08%
	Interest of spouse	<i>Note 4</i> 147,106,034 (long position)	7.67%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	139,331,336 (long position)	7.26%

Notes:

1. The interests of Sumptuous Assets Limited in FEC Shares were also disclosed as the interests of Tan Sri Dato’ Chiu David in the above section headed “DISCLOSURE OF INTERESTS BY FEC DIRECTORS AND CHIEF EXECUTIVE”. Tan Sri Dato’ Chiu David is a director of Sumptuous Assets Limited.

2. The long position in the FEC Shares was held by Penta Asia Domestic Partners, L.P. and Old Peak Ltd., controlled corporations of Penta Management (BVI) Ltd. which in turn was controlled by Penta Investment Advisers Limited.
3. These FEC Shares were held by various companies controlled by Mr. Chiu Te Ken Deacon.
4. Ms. Chiu Ju Ching Lan is the spouse of Mr. Chiu Te Ken Deacon and is deemed to be interested in the FEC Shares in which Mr. Chiu Te Ken Deacon is interested.

Save as disclosed above, as at the Latest Practicable Date, the FEC Directors and chief executive of FEC were not aware of any other persons who had an interest or short position in the FEC Shares or underlying FEC Shares which would fall to be disclosed to FEC under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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 other member of the FEC Group or had any options in respect of such capital.

4. FEC DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the FEC Directors had any existing and proposed service contract with any members of the FEC Group other than contracts expiring or determinable by the relevant member of the FEC Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

Save as disclosed in the section headed "5. Competing Interests" in Appendix III of this joint circular, as at the Latest Practicable Date, none of the FEC Directors (not being the Independent Non-executive FEC Directors) are considered to have interests in businesses which compete or are likely to compete with the businesses of the FEC Group.

6. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the FEC Directors, none of the FEC Directors or proposed directors of FEC had any direct or indirect interest in any asset which had been, since 31 March 2011, being the date to which the latest published audited accounts of FEC were made up, acquired or disposed of by, or leased to, any member of the FEC Group or are proposed to be acquired or disposed of by, or leased to, any member of the FEC Group.

As at the Latest Practicable Date, none of the FEC Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the FEC Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this joint circular or have given their opinion or advice which are contained in this joint circular:

Name	Qualifications
Raine & Horne International Zaki + Partners Sdn Bhd	Independent Property Valuer
Investec Capital Asia Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, none of the above experts had:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2011 (being the date to which the latest published audited accounts of FEC were made up), acquired or disposed of by, or leased to, any member of the FEC Group, or are proposed to be acquired or disposed of by, or leased to, any member of the FEC Group; and
- (b) any shareholding in any member of the FEC Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the FEC Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this joint circular with the inclusion of its letter or report and the references to its name in the form and context in which it appears.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the FEC Directors was aware of any material adverse change to the financial or trading position of the FEC Group since 31 March 2011, being the date to which the latest published audited financial statements of FEC were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong for a period of 14 days from the date of this joint circular:

- (a) the Joint Venture Agreement; and
- (b) this joint circular.

10. MISCELLANEOUS

The English text of this joint circular prevails over the Chinese text.

1. RESPONSIBILITY STATEMENT

This joint circular, for which the KHI Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to KHI. The KHI Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint circular relating to the KHI Group is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this joint circular misleading.

2. KHI DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF KHI AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of KHI Directors and the chief executive of KHI in KHI Shares, underlying KHI Shares or debentures of KHI or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to KHI and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any KHI Director or chief executive of KHI was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by KHI referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to KHI and the Stock Exchange were as follows:

(a) KHI Shares

		<i>Note (iv)</i>	
Name of KHI Director	Capacity	Number of KHI Shares held	Approximate % of KHI Issued Share Capital
Tan Sri Dato' Chiu David	Interest of controlled corporation <i>Note (ii)</i>	1,469,773,254	
	Family interests	8,355	
		1,469,781,609	73.49%
Mr. Chan Chi Hing	Beneficial owner	3,000	0.00%
Mr. Hoong Cheong Thard	Other <i>Note (iii)</i>	4,000	0.00%

Notes:

- (i) All interests of KHI Directors in the KHI Shares were long positions. None of the KHI Directors held any short positions in KHI Shares.

(ii) 7,773,254 KHI Shares were directly held by Sumptuous Asssets Limited (“Sumptuous”), and 1,462,000,000 KHI Shares were directly held by Ample Bonus Limited, a wholly-owned subsidiary of FEC. By virtue of the shares in FEC held by Sumptuous and Modest Secretarial Services Limited, Tan Sri Dato’ Chiu David is deemed to be interested in the KHI Shares directly owned by Sumptuous and Ample Bonus Limited.

(iii) 4,000 KHI Shares were jointly held by Mr. Hoong Cheong Thard and Ms. Teng Pei Chun.

(iv) All percentages are rounded to 2 decimal places.

(b) Underlying KHI Shares - share options of KHI granted on 11 October 2010 with exercise price of HK\$2.20 per KHI Share

Name of KHI Director	Exercise period <i>(Note)</i>	Number of share options outstanding as at the Latest Practicable Date
Mr. Mok Kwai Pui Bill	Tranche 1	709,090
	Tranche 2	709,090
	Tranche 3	709,090
	Tranche 4	709,090
	Tranche 5	709,094
		3,545,454
Mr. Chu Chee Seng	Tranche 1	1,056,818
	Tranche 2	1,056,818
	Tranche 3	1,409,091
		3,522,727
Mr. Lai Wai Keung	Tranche 1	318,181
	Tranche 2	318,181
	Tranche 3	318,181
	Tranche 4	318,181
	Tranche 5	318,185
		1,590,909

Name of KHI Director	Exercise period <i>(Note)</i>	Number of share options outstanding as at the Latest Practicable Date
Ms. Chiu Wing Kwan Winnie	Tranche 1	454,545
	Tranche 2	454,545
	Tranche 3	454,545
	Tranche 4	454,545
	Tranche 5	454,547
		<u>2,272,727</u>
Mr. Hoong Cheong Thard	Tranche 1	567,272
	Tranche 2	567,272
	Tranche 3	567,272
	Tranche 4	567,272
	Tranche 5	567,275
		<u>2,836,363</u>
Mr. Chan Chi Hing	Tranche 1	709,090
	Tranche 2	709,090
	Tranche 3	709,090
	Tranche 4	709,090
	Tranche 5	709,094
		<u>3,545,454</u>

Note:

The exercise periods of the share options issued under the share option scheme of KHI are as follows:

Option Type	Exercise Period
Tranche 1	11 October 2011 to 10 October 2014
Tranche 2	11 October 2012 to 10 October 2015
Tranche 3	11 October 2013 to 10 October 2016
Tranche 4	11 October 2014 to 10 October 2017
Tranche 5	11 October 2015 to 10 October 2018

(c) Interests in shares of associated corporations - FEC Shares

Note (ii)

Name of KHI Director	Capacity	Number of FEC Shares held	Approximate % of shareholding in FEC
Tan Sri Dato' Chiu David	Beneficial owner	13,034,698	
	Interest of controlled corporation	657,003,028	
	Family interests	<u>557,000</u>	
		670,594,726	34.96%
Mr. Chan Chi Hing	Beneficial owner	208,586	0.01%
Mr. Hoong Cheong Thard	Beneficial owner	586,771	
	Other	<u>369,756</u>	
		956,527	0.05%
Dr. Liu Ngai Wing	Beneficial owner	4,490	0.00%

Notes:

- (i) All interests of KHI Directors in the FEC Shares were long positions. None of the KHI Directors held any short positions in the FEC Shares.
- (ii) All percentage are rounded to 2 decimal places.

(d) Interests in underlying shares of associated corporations - share options of FEC

Name of Director	Date of grant	Option type ^(Note)	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date
Mr. Mok Kwai Pui Bill	21 October 2004	Tranche 3	2.075	1,200,000
	21 October 2004	Tranche 4	2.075	1,800,000
	21 October 2004	Tranche 5	2.075	<u>2,000,000</u>
				5,000,000
Mr. Lai Wai Keung	21 October 2004	Tranche 3	2.075	300,000
	21 October 2004	Tranche 4	2.075	475,000
	21 October 2004	Tranche 5	2.075	<u>525,000</u>
				1,300,000
Mr. Hoong Cheong Thard	8 May 2009	Tranche 1	1.500	1,850,000
	8 May 2009	Tranche 2	1.500	1,850,000
	8 May 2009	Tranche 3	1.500	1,850,000
	8 May 2009	Tranche 4	1.500	<u>1,850,000</u>
				7,400,000
Mr. Chan Chi Hing	21 October 2004	Tranche 3	2.075	500,000
	21 October 2004	Tranche 4	2.075	1,800,000
	21 October 2004	Tranche 5	2.075	<u>2,000,000</u>
				4,300,000

Note:

The exercise periods of the share options issued under the share option scheme of FEC are as follows:

Share options granted on 21 October 2004

Option type	Exercisable period
Tranche 3	1 January 2007 to 31 December 2014
Tranche 4	1 January 2008 to 31 December 2014
Tranche 5	1 January 2009 to 31 December 2014

Share options granted on 8 May 2009

Option type	Exercisable period
Tranche 1	16 September 2009 to 15 September 2019
Tranche 2	16 September 2010 to 15 September 2019
Tranche 3	16 September 2011 to 15 September 2019
Tranche 4	16 September 2012 to 15 September 2019

Save as disclosed above, as at the Latest Practicable Date, none of the KHI Directors nor the chief executive of KHI had any interests or short positions in KHI Shares, underlying KHI Shares and/or debentures of KHI and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to KHI and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any KHI Director or chief executive of KHI was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by KHI referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to KHI and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the KHI Directors, the persons (“KHI Substantial Shareholders”) (including persons who are KHI Directors or the chief executive of KHI) who had an interest or short position in the KHI Shares or underlying KHI Shares which would fall to be disclosed to KHI and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

			<i>Note (vi)</i>
Name of KHI Substantial Shareholder	Capacity	Number of KHI Shares	Approximate % of issued share capital of KHI
Tan Sri Dao' Chiu David	Interests in controlled corporation <i>Note (i)</i>	1,469,773,254 <i>(long position)</i>	
	Family Interests	8,355 <i>(long position)</i>	
		1,469,781,609	73.49%

		<i>Note (vi)</i>	
Name of KHI Substantial Shareholder	Capacity	Number of KHI Shares	Approximate % of issued share capital of KHI
Ms. Ng Nancy	Personal Interests	8,355 <i>(long position)</i>	
	Family Interests <i>Note (ii)</i>	1,469,773,254 <u><i>(long position)</i></u>	
		1,469,781,609	73.49%
Sumptuous	Beneficial Owner <i>Note (i)</i>	7,773,254 <i>(long position)</i>	
	Interests in controlled corporation <i>Note (i)</i>	1,462,000,000 <u><i>(long position)</i></u>	
		1,469,773,254	73.49%
FEC	Interests in controlled corporation <i>Note (i)</i>	1,462,000,000 <i>(long position)</i>	73.10%
Ample Bonus Limited	Beneficial owner <i>Note (i)</i>	1,462,000,000 <i>(long position)</i>	73.10%
Credit Suisse AG	Interests in controlled corporation <i>Note (iii)</i>	162,000,000 <i>(long position)</i>	8.10%
		81,000,000 <i>(short position)</i>	4.05%
Credit Suisse (Hong Kong) Limited	Interests held jointly with another entity <i>Note (iv)</i>	162,000,000 <i>(long position)</i>	8.10%
		81,000,000 <i>(short position)</i>	4.05%
Penta Investment Advisers Limited	Investment manager <i>Note (v)</i>	139,965,543 <i>(long position)</i>	7.00%

Notes:

- (i) Ample Bonus Limited directly owned 1,462,000,000 KHI Shares. Ample Bonus Limited is a wholly owned subsidiary of FEC and accordingly FEC is deemed to be interested in the KHI Shares held by Ample Bonus Limited. Sumptuous directly owned 7,773,254 KHI Shares. By virtue of the shares in FEC owned by Sumptuous, Sumptuous is deemed to be interested in the KHI Shares owned by Ample Bonus Limited. Sumptuous is fully controlled by Tan Sri Dato' Chiu David and therefore Tan Sri Dato' Chiu David is deemed to be interested in the KHI Shares directly owned by Ample Bonus Limited and Sumptuous. Tan Sri Dato' Chiu David is a director of Sumptuous, FEC and Ample Bonus Limited. Mr. Chan Chi Hing, a KHI Director, is a director of Ample Bonus Limited.

- (ii) Ms. Ng Nancy is the spouse of Tan Sri Dato' Chiu David and is deemed to be interested in the KHI Shares in which Tan Sri Dato' Chiu David is interested.
- (iii) Credit Suisse (Hong Kong) Limited ("Credit Suisse HK") is fully controlled by Credit Suisse AG and accordingly pursuant to the SFO, Credit Suisse AG is deemed to be interested in the KHI Shares of which Credit Suisse HK is interested.
- (iv) 81,000,000 KHI Shares were jointly held by Credit Suisse HK and Morgan Stanley Asia Limited, and 81,000,000 KHI Shares were jointly held by Credit Suisse HK and The Royal Bank of Scotland N.V., Hong Kong Branch. The long position of Credit Suisse HK in 81,000,000 KHI Shares were in respect of unlisted physically settled derivatives.
- (v) The long position of Penta Investment Advisers Limited in 39,594,910 KHI Shares were in respect of unlisted cash settled derivatives.
- (vi) All percentages are rounded to 2 decimal places.

Save as disclosed above, as at the Latest Practicable Date, the KHI Directors were not aware of any other persons who had an interest or short position in the KHI Shares or underlying KHI Shares which would fall to be disclosed to KHI under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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 other member of the KHI Group or had any options in respect of such capital.

4. KHI DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the KHI Directors had any existing and proposed service contract with any members of the KHI Group, other than contracts expiring or determinable by the relevant member of the KHI Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, the following KHI Directors had interests in the following businesses which are considered to compete or were likely to compete, either directly or indirectly, with the businesses of the KHI Group other than those businesses where the KHI Directors were appointed as directors to represent the interests of KHI and/or the KHI Group:

Businesses which are considered to compete or likely to compete with the businesses of the KHI Group

Name of entity	Description of businesses	Name of KHI Director	Nature of interest of the KHI Director in the entity
Mayland Properties	Mayland Properties is an unlisted property developer with more than 20 existing mixed development projects in Kuala Lumpur and Johor Bahru, Malaysia, including Plaza Damas 3, a mixed development with shop-office units and serviced apartment units; and Cheras Central, a property development including a shopping and leisure complex in Cheras, Kuala Lumpur, Malaysia. Both of Plaza Damas 3 and Cheras Central have a small portion of area which includes a hotel.	Tan Sri Dato' Chiu David	Mayland Properties is controlled by Tan Sri Dato' Chiu David who is also the chief executive officer of Mayland Properties
		Ms. Chiu Wing Kwan Winnie	Director

Businesses which are considered to compete or likely to compete with the businesses of the KHI Group

Name of entity	Description of businesses	Name of KHI Director	Nature of interest of the KHI Director in the entity
Tokai Kanko Co., Ltd. (“Tokai”)	Tokai is listed on the first section of the Tokyo Stock Exchange and its principal activities are operation of hotel and resort business in Japan, property investment and treasury operations.	Tan Sri Dato’ Chiu David	Owner of approximately 50.4% of Tokai and chairman of the board of directors
		Mr. Hoong Cheong Thard	President and director
RC Hotel and Resort JV Holdings (BVI) Company Limited (“RC Hotel”)	RC Hotel was incorporated in the British Virgin Islands and is an unlisted company. The principal business of RC Hotel is the development and operation of Ritz-Carlton Reserve Maldives, a resort which is expected to be completed in mid 2013.	Tan Sri Dato’ Chiu David	Owner of approximately 10% of RC Hotel
Land & General Berhad	Land & General Berhad is listed on the main market of Bursa Malaysia, the principal activities of Land & General Berhad and its subsidiaries are property development, investment and management, and investment in the plantation, education and leisure sectors.	Ms. Chiu Wing Kwan Winnie	Non-independent and non-executive director and has indirect interest in approximately 16.9% of the issued share capital of Land & General Berhad
		Mr. Hoong Cheong Thard	Non-independent and non-executive director

Notwithstanding the interests of the relevant KHI Directors in the businesses which are considered to compete or likely to compete as disclosed above, given that the KHI Board is independent of the board of the above-mentioned entities and KHI has established corporate governance procedures to ensure investment opportunities are independently assessed and reviewed, the KHI Group is able to carry on its business independent of, and at arm’s length from, the competing businesses. The relevant KHI Directors are fully aware of their fiduciary

duties to KHI and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The KHI Directors therefore consider that the KHI Group's interests are adequately safeguarded. Save as disclosed above, there are no other competing businesses interest between the KHI Directors and his/her respective associates and the KHI Group.

6. INTEREST IN CONTRACTS AND ASSETS

None of the KHI Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the KHI Group.

As at the Latest Practicable Date, to the best of the knowledge of the KHI Directors, none of the KHI Directors had any direct or indirect interest in any asset which had been, since 31 March 2011, being the date to which the latest published audited accounts of KHI were made up, acquired or disposed of by, or leased to, any member of the KHI Group or are proposed to be acquired or disposed of by, or leased to, any member of the KHI Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this joint circular or have given their opinion or advice which are contained in this joint circular:

Name	Qualifications
Raine & Horne International Zaki + Partners Sdn. Bhd.	Independent property valuer
Investec Capital Asia Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, none of the above experts had:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2011 (being the date to which the latest published audited accounts of KHI were made up), acquired or disposed of by, or leased to, any member of the KHI Group, or are proposed to be acquired or disposed of by, or leased to, any member of the KHI Group; and
- (b) any shareholding in any member of the KHI Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the KHI Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this joint circular with the inclusion of its letter or report and the references to its name in the form and context in which it appears.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the KHI Directors was aware of any material adverse change to the financial or trading position of the KHI Group since 31 March 2011, being the date to which the latest published audited financial statements of KHI were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong for a period of 14 days from the date of this joint circular:

- (a) the Joint Venture Agreement; and
- (b) this joint circular.

10. MISCELLANEOUS

The English text of this joint circular prevails over the Chinese text.

NOTICE OF FEC EGM



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“Meeting”) of Far East Consortium International Limited (“Company”) will be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen’s Road East, Wan Chai, Hong Kong on Monday, 31 October 2011 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed (with or without amendment) as an ordinary resolution:-

ORDINARY RESOLUTION

“THAT

- (a) the joint venture agreement dated 11 October 2011 entered into between Subang Jaya Hotel Development Sdn Bhd and Mayland Valiant Sdn Bhd (a copy of which has been produced to this Meeting and signed by the Chairman of the Meeting for the purposes of identification) and the transactions contemplated thereunder be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised, for and on behalf of the Company, to do all things and acts and to sign and execute all documents, instruments or agreements which they may, in their absolute discretion, consider necessary, desirable or expedient for the purposes of implementing the joint venture agreement and/or in connection therewith.”

By order of the Board

Far East Consortium International Limited
CHEUNG, Wai Hung Boswell

Chief Financial Officer and Company Secretary

Hong Kong, 14 October 2011

NOTICE OF FEC EGM

Notes:

1. For determining the entitlement to attend and vote at the Meeting, the Register of Members of the Company will be closed from 28 October 2011 to 31 October 2011, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 27 October 2011.
2. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company but must be present in person to represent the member.
3. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof if you so wish.
4. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person, or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting or any adjournment thereof, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the name stands first in the Register of Members of the Company in respect of such joint holding.
5. The resolution set out in the notice will be decided by poll at the Meeting.

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

NOTICE OF KHI EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kosmopolito Hotels International Limited (the “Company”) will be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen’s Road East, Wan Chai, Hong Kong on Monday, 31 October 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed (with or without amendment) as an ordinary resolution:-

ORDINARY RESOLUTION

“**THAT**

- (a) the joint venture agreement dated 11 October 2011 entered into between Subang Jaya Hotel Development Sdn Bhd and Mayland Valiant Sdn Bhd (a copy of which has been produced to this meeting and signed by the Chairman of the meeting for the purposes of identification) and the transactions contemplated thereunder be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised, for and on behalf of the Company, to do all things and acts and to sign and execute all documents, instruments or agreements which they may, in their absolute discretion, consider necessary, desirable or expedient for the purposes of implementing the joint venture agreement and/or in connection therewith.”

By order of the Board
Kosmopolito Hotels International Limited
MOK, Kwai Pui Bill
President and Executive Director

Hong Kong, 14 October 2011

NOTICE OF KHI EGM

Notes:

1. For the purpose of determining the entitlement of the shareholders of the Company to attend the extraordinary general meeting to be held on 31 October 2011, the register of members of the Company will be closed from 28 October 2011 to 31 October 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the extraordinary general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "Branch Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 27 October 2011.
2. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him.
3. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Branch Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 48 hours before the time of the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint registered holders of a share in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto or if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of members of the Company in respect of the joint holding.
6. All resolutions will be voted by way of poll.

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