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If you have sold or transferred all your shares in Kosmopolito Hotels International Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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Kosmopolito Hotels International Limited

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.kosmohotels.com>

(Stock Code: 2266)

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

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DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Board”	board of KHI Directors;
“Company”	Hong Kong (SAR) Hotel Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Seller;
“Completion”	the completion of the sale and purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement pursuant to the terms and conditions thereof;
“Consideration”	the aggregate consideration payable by the Purchaser to the Seller for the Sale Shares and the Sale Loan in the amount of HK\$800,000,000, subject to adjustment according to the net current assets of the Company as at the date of Completion;
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement;
“FEC”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 35) and the holding company of KHI;
“FEC Directors”	the directors of FEC;
“FEC Group”	FEC and its subsidiaries;
“FEC Shares”	ordinary share(s) of HK\$0.10 each in the share capital of FEC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hotel”	the hotel which is currently known as “Dorsett Regency Hotel, Hong Kong” erected on the Property;
“Joint Announcement”	the joint announcement of FEC and KHI dated 25 May 2012 in relation to the Disposal;

DEFINITIONS

“KHI”	Kosmopolito Hotels International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 2266) and a non wholly-owned subsidiary of FEC;
“KHI Directors”	the directors of KHI;
“KHI Group”	KHI and its subsidiaries;
“KHI Shares”	ordinary share(s) of HK\$0.10 each in the share capital of KHI;
“Latest Practicable Date”	21 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	all those pieces or parcels of ground together with the messuages erections and buildings constructed thereon and now known as No.18 Davis Street, Hong Kong (formerly known as Nos.12, 14, 16, 18, 20 and 22 Davis Street, Hong Kong);
“Purchaser”	CCB Properties (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 May 2012 and entered into among the Seller, the Purchaser and KHI in relation to the Disposal;
“Sale Loan”	the shareholder’s loan which will be outstanding and owing at Completion by the Company to the Seller, and which amounted to approximately HK\$301.5 million as at the Latest Practicable Date;
“Sale Shares”	10,000 shares of HK\$1 in the Company representing the entire issued share capital of the Company;
“Seller”	Havena Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of KHI;
“SFO”	the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

LETTER FROM THE BOARD



Kosmopolito Hotels International Limited

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.kosmohotels.com>

(Stock Code: 2266)

Executive Directors:

Ms. CHIU, Wing Kwan Winnie
Mr. LAI, Wai Keung

Non-executive Directors:

Tan Sri Dato' CHIU, David
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing
Mr. MOK, Kwai Pui Bill

Independent Non-executive Directors:

Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing
Mr. Giovanni ANGELINI

Registered office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal place of business in Hong Kong:

6th Floor, Unicorn Trade Centre
127-131 Des Voeux Road Central
Central, Hong Kong

26 June 2012

To the shareholders

Dear Sir or Madam,

MAJOR TRANSACTION INVOLVING DISPOSAL OF A PROPERTY-HOLDING SUBSIDIARY

1. INTRODUCTION

Reference is made to the Joint Announcement made by FEC and KHI dated 25 May 2012 in relation to the Disposal.

The purpose of this circular is to provide you with, inter alia, (i) further information regarding the Disposal, (ii) financial and other information of the KHI Group as required under the Listing Rules; and (iii) the valuation report in relation to the Property.

2. THE DISPOSAL

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

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Parties

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

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

Assets to be disposed of

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

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

The audited net liabilities of the Company as at 31 March 2012 were HK\$159 million. The net profits of the Company before and after taxation for the year ended 31 March 2012 were HK\$8.6 million and the net losses of the Company before and after taxation for the year ended 31 March 2011 were HK\$0.4 million.

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

Consideration

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

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

LETTER FROM THE BOARD

The Consideration shall be satisfied in the following manner:

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

After Completion, the amount of current assets and current liabilities of the Company as at the date of Completion shall be audited by the auditors engaged by KHI and reviewed by the auditors engaged by the Purchaser. If such amount of current assets exceed such amount of current liabilities, the Purchaser shall pay to the Seller the excess thereof. If such amount of current assets are less than such amount of current liabilities, the Seller shall pay to the Purchaser the shortfall thereof.

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

The Consideration reflects the fair value of the assets (including the Property) held by the Company.

Condition precedent

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

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

As further described in the paragraph headed "Listing Rules Implications" below, written approval by the shareholders of KHI in lieu of holding a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules has been obtained. The part of the condition of approval by the shareholders of KHI has already been fulfilled as at the Latest Practicable Date.

Warranties and indemnities by the Seller

Customary warranties (including those in relation to title to assets, accounts, litigations, etc.) have been given by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement. At Completion, a deed of tax indemnity would be entered into by the Seller pursuant to which the Seller shall agree to indemnify the Purchaser in respect of any claim for any liability to Hong Kong taxation against the Company resulting from (i) any transaction of or any income or gain or profit earned, accrued or received by the Company on or before Completion; (ii) any disallowance or refusal of any

LETTER FROM THE BOARD

relief claimed by the Company up to and including the date of Completion; and (iii) the revaluation or gain or appreciation in value of the Property up to the amount of the Consideration on or before the seventh anniversary of the tax assessment year end following the date of Completion. The liabilities of the Seller under the aforesaid item (iii) shall cease upon any form of change in ownership of the Property held by the Company or of the shareholding of the Company directly held by the Purchaser (or any agreement to do any of these being entered into) after Completion.

The aggregate maximum liability of the Seller in respect of all claims under the Sale and Purchase Agreement (including the tax deed) shall not exceed HK\$400,000,000 or, where any claim has been made for breach of warranties on title to and ownership of the Sale Shares, the Sale Loan and the Property, not exceed HK\$800,000,000.

Completion

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

Guarantee

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

INFORMATION ON FEC, KHI AND THE PURCHASER

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

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

The Purchaser is principally engaged in investment holding.

REASONS FOR AND BENEFIT OF THE DISPOSAL

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

LETTER FROM THE BOARD

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

FINANCIAL EFFECT OF THE DISPOSAL

The KHI Directors estimate that upon Completion, the KHI Group is expected to record a gain from the Disposal of approximately HK\$450,000,000, being the difference between the estimated proceeds from the Disposal of approximately HK\$800,000,000 and the book value of the Company of approximately HK\$320,000,000 in the accounts of the KHI Group and after deducting all relevant fees and expenses.

It is expected that upon Completion, the total assets of the KHI Group will be increased by approximately HK\$275,000,000 and the total liabilities of the KHI Group will be decreased by approximately HK\$175,000,000.

USE OF PROCEEDS

The KHI Directors expect that the net proceeds from the Disposal will be used as general working capital. The KHI Directors may consider recommending part of the profit arising from the Disposal to be distributed as dividends to the shareholders of KHI.

LISTING RULES IMPLICATIONS

KHI is a non wholly-owned subsidiary of FEC and the Seller is a wholly-owned subsidiary of KHI and a non wholly-owned subsidiary of FEC. As at least one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is greater than 25% but less than 75% for KHI, the Disposal constitutes a major transaction of KHI under Chapter 14 of the Listing Rules.

Under the Listing Rules, the Disposal is subject to the approval of the shareholders of KHI. As at the Latest Practicable Date, FEC, through its wholly-owned subsidiary, Ample Bonus Limited, held 1,462,000,000 shares of KHI, representing approximately 73.1% of the issued share capital of KHI. Since none of the shareholders of KHI is required to abstain from voting on the Disposal, written approval by Ample Bonus Limited of the Disposal has been obtained for the purpose of written approval by the shareholders of KHI in lieu of holding shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

Under the Listing Rules, the Disposal (constituting a major transaction of FEC) is also subject to the approval of the shareholders of FEC. An extraordinary general meeting of FEC will be held on Friday, 20 July 2012, for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The KHI Directors are of the opinion that the Sale and Purchase Agreement is on normal commercial terms which are fair and reasonable and the Disposal and the transactions contemplated thereunder are in the interests of KHI and the shareholders of KHI as a whole. Accordingly, the KHI Directors would recommend the shareholders of KHI to vote in favour of the ordinary resolution to approve the Disposal if a general meeting of KHI were to be convened.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 7 May 2012, the KHI Group had outstanding bank borrowings of HK\$3,939 million which are secured by certain of the KHI Group's assets with aggregated carrying value of approximately HK\$6,092 million.

Contingent liabilities

At the close of business on 7 May 2012, there were counter-claims for an amount of HK\$26 million by a contractor in connection with the construction of a hotel owned by a subsidiary against which the subsidiary has initiated a lawsuit for unsatisfactory performance of the contractor. The KHI Directors are of the view that the counter-claims would not have a material adverse impact on the financial position of the KHI Group.

Commitments

At the close of business on 7 May 2012, the KHI Group has authorized capital expenditure not provided for in these financial statements amounting to approximately HK\$674 million of which approximately HK\$354 million was contracted for.

Disclaimers

Save as disclosed above and apart from intra-group liabilities, the KHI Group did not, at the close of business on 7 May 2012, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

In the absence of unforeseen circumstances, the KHI Directors are of the opinion that, after taking into account the KHI Group's financial resources, banking facilities presently available and the estimated net proceeds from the Disposal, the KHI Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS

KHI is an investment holding company. The principal business activities comprise developing, owning and operating value, mid-scale to upscale hotels and property development and investment. The asset portfolio covers the Mainland China, Hong Kong, Malaysia, Singapore and London. Currently, the KHI Group owns/manages 16 hotels of approximately 4,000 rooms and expects to expand to 24 hotels of over 7,000 rooms (including three acquired during the past twelve months) when the pipeline projects become operational over the next few years.

The KHI Group now conducts the hotel management business by its own management companies through four series of brands — Silka Hotels, Dorsett Regency Hotels & Resorts, Grand Dorsett and Boutique Series by Kosmopolito. Total workforce in the operations amounts to 2,039 employees.

As of the year ended 31 March 2012, KHI recorded total revenue of HK\$1,096 million and net profit of HK\$605 million. Out of the total revenue generated, 65% was generated from Hong Kong, 27% from Malaysia and the rest from the Mainland.

Hong Kong is the major revenue and cash flow contributor. For the financial year ended 31 March 2012, the Hong Kong operations reported total revenue of HK\$708 million with average room rate of HK\$969 and occupancy rate of 96%. Net profit reached HK\$602 million. The operating performance is a direct result of the excess demand for room nights driven by the strong tourist arrival (42 million in calendar 2011) versus the total room inventory of approximately 62,000 rooms. Given the limited availability of suitable development land plots and the local government's pro-tourism policy stance, we expect the demand/supply imbalance will persist over the next few years. Hong Kong will remain a key cash generator to the Group.

The Group currently has 5 hotels under operation in Malaysia, which generated revenue of HK\$294 million and net profit of HK\$38 million during the year ended 31 March 2012. The operating environment of the country remains stable as evidenced by the prevailing occupancy and room rates during the past few years. Nevertheless, the management expects the dwindling export volume in response to the global economic slowdown will cause increasing revenue pressure while the domestic demand will remain robust driven by the increased government spending.

The Mainland currently is a relatively small but significant contributor to the KHI Group's financial position. In addition to the two operational hotels, Grand Dorsett Chengdu (556 rooms) is scheduled to come on stream in July 2012. During the last financial year, the Mainland contributed total revenue of HK\$94 million and net loss of HK\$29 million. In the year ended 31 March 2013, moderate revenue growth and lower operating loss is expected.

As of 31 March 2012, the KHI Group's total indebtedness amounts to HK\$3,627 million, which compares with the net asset value of HK\$3,420 million while revaluation surplus of HK\$7,750 million was not recorded in the book as per the KHI Group's accounting policy. EBIDTA/interest coverage for the last financial year was 7.5 times and effective cost of borrowing was at 3.3%. All of the total debts were collateralised.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with its valuation as at 31 March 2012 of the Property.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

26 June 2012

The Directors
Kosmopolito Hotels International Limited
6th Floor, Unicorn Trade Centre
127- 131 Des Voeux Road Central
Hong Kong

Dear Sirs,

**Re: Dorsett Regency Hotel, Hong Kong, Nos. 12-22 Davis Street, Kennedy Town, Hong Kong.
(the “Property”)**

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuation of the Property which is held by Kosmopolito Hotels International Limited (the “Company”) and/or its subsidiaries (together referred to as the “Group”). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 March 2012 (the “date of valuation”).

Basis of Valuation and Assumption

Our valuation of the Property represents its 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”.

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation is carried out and stated on 100% interest basis.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In valuing the Property, we have complied with requirements set out in Chapter 5 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.

Valuation Methodology

We have valued the Property by direct comparison method by making reference to comparable transactions as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the Property.

According to the information provided by the Group, the potential tax liability of property which would arise on disposal of the Property is profit tax of 16.5% of the net profit upon disposal, save for deduction of any profit which is capital in nature.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, completion date of building, lettings, particulars of occupancy, identification of property, floor plans and areas, site areas and number of parking spaces interests attributable to the Group and all other relevant matters.

Title Investigation

We have not been provided with copies of the title documents relating to the Property but have caused searches to be made at the Land Registry in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken.

Property Inspection

Our DTZ Hong Kong office valuer Amy Ho in April 2012 has inspected the exterior and, wherever possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
MHKIS, MRICS, RPS (GP)
Senior Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor (General Practice) who has over 25 years' experience in valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property held and operated by the Group for owner occupation

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
Dorsett Regency Hotel, Hong Kong, Nos. 12-22 Davis Street, Kennedy Town, Hong Kong	The Property comprises a 30-storey hotel providing a total of 209 guest rooms and a restaurant completed in 2011.	Various mobile phone base stations and antennae are let under various licences, all will expire in August 2013. The total monthly licence fee is HK\$60,000.	HK\$800,000,000
The Remaining Portion of Sub-section 7 of Section A, Section D of Sub-section 7 of Section A, Section C of Sub-section 7 of Section A, Section B of Sub-section 7 of Section A, Section A of Sub-section 7 of Section A, Sub-section 12 of Section A of Inland Lot No. 905	The Property has a total gross floor area of approximately 6,818.63 sq.m. (73,396 sq.ft.). The registered site area of the Property is about 461.35 sq.m. (4,966 sq.ft.). The Property is located at Davis Street, Kennedy Town in Hong Kong. The general locality is characterized by residential developments. The Property is held under a Government Lease for a term of 999 years from 24 September 1883. The Government rent payable for the lots is HK\$72 per annum.	The remainder of the property is operated by the Group as a hotel.	

Notes:

- (1) The registered owner of the Property is Hong Kong (SAR) Hotel Limited.
- (2) The Property is subject to a Debenture, a Supplement to security documents and a Second Supplement to security documents all in favour of Hang Seng Bank Limited.
- (3) The Property is subject to a Licence for Removal of Trades in Offensive Trade Clause.
- (4) The Property is granted with a hotel/guesthouse licence for a period from 23 June 2011 to 22 June 2012 under the Hotel and Guesthouse Accommodation Ordinance Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The Property is zoned for "Residential (Group A)" uses under Kennedy Town & Mount Davis Outline Zoning Plan No. S/H1/19.
- (6) We have recently valued the Property as at 31 March 2012 for the Company at HK\$800,000,000 for the purpose of annual auditing.

1. RESPONSIBILITY STATEMENT

This 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the KHI Directors and the chief executive of KHI had the following interests and short positions 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 which any such 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 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:

(a) KHI Shares

Name of KHI Director	Capacity	Number of KHI Shares held	Approximate percentage of issued KHI Shares as at the Latest Practicable Date
Tan Sri Dato' Chiu David	Interest of controlled corporations ⁽ⁱ⁾	1,469,773,254	
	Family interests	8,355	
		<u>1,469,781,609</u>	73.49%
Mr. Chan Chi Hing	Beneficial owner	3,000	0.00%
Mr. Hoong Cheong Thard	Other ⁽ⁱⁱⁱ⁾	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 the KHI Shares.
- (ii) 7,773,254 KHI Shares were directly held by Sumptuous Assets 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 (with 35% control of FEC) and Modest Secretarial Services Limited (“**Modest**”), 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.

(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 of KHI 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. 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
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
		2,272,727

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

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

Name of KHI Director	Capacity	Number of FEC Shares held	Approximate % of shareholding in FEC as at the Latest Practicable Date
Tan Sri Dato' Chiu David	Beneficial owner	13,607,249	
	Interest of controlled corporations ⁽ⁱⁱ⁾	685,862,201	
	Family interests	557,000	
		<u>700,026,450</u>	35.72%
Mr. Chan Chi Hing	Beneficial owner	208,586	0.01%
Mr. Hoong Cheong Thard	Beneficial owner Other ⁽ⁱⁱⁱ⁾	261	
		<u>369,756</u>	
		370,017	0.02%
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) 685,849,880 FEC Shares were held by Sumptuous and 12,321 FEC Shares were held by Modest. Sumptuous and Modest are wholly-owned by Tan Sri Dato' Chiu David. Accordingly, Tan Sri Dato' Chiu David is deemed to be interested in FEC Shares held by Sumptuous and Modest under the SFO.
- (iii) 369,756 FEC Shares were jointly held by Mr. Hoong Cheong Thard and Ms. Teng Pei Chun.

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

Name of KHI Director	Date of grant	Option type (Note)	Exercise Price (HK\$)	Number of share options of FEC 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

Name of KHI Director	Date of grant	Option type (Note)	Exercise Price (HK\$)	Number of share options of FEC outstanding as at the Latest Practicable Date
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 granted under the share option scheme of FEC are as follows:

Share options granted on 21 October 2004

Option Type	Exercise Period
Tranche 3	1 January 2007 to 20 October 2014
Tranche 4	1 January 2008 to 20 October 2014
Tranche 5	1 January 2009 to 20 October 2014

Share options granted on 8 May 2009

Option Type	Exercise 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 the 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 which any such 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

- (a) 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:

Name of KHI Substantial Shareholder	Capacity	Number of KHI Shares held	Approximate percentage of issued KHI Shares as at the Latest Practicable Date
Tan Sri Dato' Chiu David	Interests of controlled corporations ⁽ⁱ⁾	1,469,773,254 <i>(long position)</i>	73.49%
	Family interests	8,355 <i>(long position)</i>	
		1,469,781,609	
Ms. Ng Nancy	Personal interests	8,355 <i>(long position)</i>	73.49%
	Family interests ⁽ⁱⁱ⁾	1,469,773,254 <i>(long position)</i>	
		1,469,781,609	
Sumptuous Assets Limited	Beneficial owner ⁽ⁱ⁾	7,773,254 <i>(long position)</i>	73.49%
	Interests of controlled corporation ⁽ⁱ⁾	1,462,000,000 <i>(long position)</i>	
		1,469,773,254	

Name of KHI Substantial Shareholder	Capacity	Number of KHI Shares held	Approximate percentage of issued KHI Shares as at the Latest Practicable Date
FEC	Interests of controlled corporation ⁽ⁱ⁾	1,462,000,000 (long position)	73.10%
Ample Bonus Limited	Beneficial owner ⁽ⁱ⁾	1,462,000,000 (long position)	73.10%
Credit Suisse AG	Interests of controlled corporation ⁽ⁱⁱⁱ⁾	162,000,000 (long position)	8.10%
		81,000,000 (short position)	4.05%
Credit Suisse (Hong Kong) Limited	Interests held jointly with another entity ^(iv)	162,000,000 (long position)	8.10%
		81,000,000 (short position)	4.05%
Penta Investment Advisers Limited	Investment manager ^(v)	139,749,439 (long position)	6.99%

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 (with 35% control of FEC), 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. The interests of Ample Bonus Limited, FEC and Sumptuous are disclosed in Tan Sri Dato' Chiu David's notice of disclosure of interest.
- (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 unlisted physically settled derivatives.
- (v) The long position of Penta Investment Advisers Limited in 43,214,910 KHI Shares were unlisted cash settled derivatives.

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.

- (b) As at the Latest Practicable Date, so far as was known to the KHI Directors, the following KHI Director is also director or employee of Sumptuous Assets Limited:

Name of KHI Director	Position held in Sumptuous Assets Limited
Tan Sri Dato' Chiu David	director

As at the Latest Practicable Date, so far as was known to the KHI Directors, the following KHI Directors are also directors or employees of Ample Bonus Limited:

Name of KHI Director	Position held in Ample Bonus Limited
Tan Sri Dato' Chiu David	director
Chan Chi Hing	director

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
Malaysia Land Properties Sdn Bhd (“ 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
Agora Hospitality Group Co., Ltd. (“ Agora ”)	Agora 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 51.31% of Agora and chairman of the board of directors
		Mr. Hoong Cheong Thard	President and Director

Name of entity	Description of businesses	Name of KHI Director	Nature of interest of the KHI Director in the entity
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 business interests between the KHI Directors and his/her respective associates and the KHI Group.

6. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the KHI Directors, none of the KHI Directors or proposed directors of KHI 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.

As at the Latest Practicable Date, save as disclosed hereunder, 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 disclosed in the joint announcement of FEC and KHI dated 11 October 2011, on 11 October 2011, Subang Jaya Hotel Development Sdn Bhd (“**Subang Jaya**”), a wholly-owned subsidiary of KHI, entered into an agreement with Mayland Valiant Sdn Bhd (“**Mayland Valiant**”) to jointly develop certain portion of the land plot where the KHI Group’s Grand Dorsett Subang Hotel is situated at. Mayland Valiant is responsible for the development activities and the subsequent sales of the 1,989 units. Subang Jaya will be entitled to 50% of the profit or loss from the development. Mayland Valiant is wholly owned by Mayland Properties which in turn is a wholly-owned subsidiary of Prestige Aspect Sdn Bhd, the majority equity interest of which is owned by Tan Sri Dato’ Chiu David, a non-executive Director and Chairman of KHI. Tan Sri Dato’ Chiu David is also the chief executive officer of Mayland Properties.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

Name	Qualification
DTZ Debenham Tie Leung Limited	Property valuers

As at the Latest Practicable Date, the above expert did not have:

- (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.

The above expert has given and has not withdrawn its written consent to the issue of this 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. LITIGATION

No member of the KHI Group was engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the KHI Directors to be pending or threatened by or against any members of the KHI Group, as at the Latest Practicable Date.

9. 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 accounts of KHI were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the KHI Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the bought and sold notes dated 26 August 2010 for the transfer of 2 shares in Esmart Management Limited by Far East Consortium Limited (“**FECL**”) to the Seller for a consideration of HK\$2.00;
- (b) the bought and sold notes dated 26 August 2010 for the transfer of 1 share in Panley Limited by FECL to the Seller for a consideration of HK\$1.00;
- (c) the bought and sold notes dated 27 August 2010 for the transfer of 2 shares in Ruby Way Limited by FECL to the Seller for a consideration of HK\$2.00;
- (d) the share transfer form dated 30 August 2010 for the transfer of 1 share in Tang Hotel Pte. Ltd. by Madison Lighters & Watches Company Limited to Tang Hotel Investments Pte. Ltd. for a consideration of 1.00 Singapore dollar;
- (e) the corporate investor agreement dated 2 September 2010 entered into by and among KHI, Chow Tai Fook Nominee Limited, Credit Suisse HK, Morgan Stanley Asia Limited (“**Morgan Stanley**”) and The Royal Bank of Scotland N.V., Hong Kong Branch (“**RBS**”) pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for offer shares in KHI for a consideration of HK\$100,000,000;
- (f) the deed of indemnity dated 10 September 2010 signed by Ample Bonus Limited (“**Ample Bonus**”) and FEC in favour of KHI in connection with the global offering of the shares of KHI;

- (g) the deed of non-competition undertaking dated 10 September 2010 signed by Tan Sri Dato' David Chiu and FEC in favour of KHI pursuant to which FEC has, among other things, undertaken that for so long as FEC and its subsidiary (excluding KHI and its subsidiaries) remain the controlling shareholders of KHI, each of them would not engage in any business that is in competition with hotel investment, operation, management and development;
- (h) the bought and sold notes dated 13 September 2010 for the transfer of 2 shares in Everkent Development Limited by FECL to the Seller for a consideration of HK\$2.00;
- (i) the instrument of transfer dated 14 September 2010 for the transfer of 1 share in Giovanna Holdings Limited by KHI to FECL for a consideration of US\$1.00;
- (j) the instrument of transfer dated 17 September 2010 for the transfer of 1 share in Full Benefit Limited by FECL to KHI for a consideration of US\$1.00;
- (k) the instrument of transfer dated 17 September 2010 for the transfer of 1 share in the Seller by FECL to KHI for a consideration of US\$1.00;
- (l) the instrument of transfer dated 17 September 2010 for the transfer of 1 share in Wonder China Investments Limited by FECL to KHI for a consideration of US\$1.00;
- (m) the instrument of transfer dated 17 September 2010 for the transfer of 2 shares in Jade River Profits Limited by FECL to KHI for a consideration of US\$2.00;
- (n) the instrument of transfer dated 17 September 2010 for the transfer of 1 share in Rosicky Limited by FECL to KHI for a consideration of US\$1.00;
- (o) the form of transfer of securities dated 17 September 2010 for the transfer of 5,000,000 shares in Dorsett Regency Hotel (M) Sdn. Bhd. by FEC Development (Malaysia) Sdn. Bhd. to KHI for a consideration of 5,000,000.00 Malaysian Ringgit;
- (p) the share transfer form dated 17 September 2010 for the transfer of 2 shares in Tang Hotel Investments Pte. Ltd. by Madison Lighters & Watches Company Limited to KHI for a consideration of 2.00 Singapore dollars;
- (q) the Hong Kong underwriting agreement dated 27 September 2010 relating to the Hong Kong public offering of the shares of KHI entered into amongst KHI, FEC, Ample Bonus, Credit Suisse HK, Morgan Stanley, RBS, China Everbright Securities (HK) Limited, Taifook Securities Company Limited and Sun Hung Kai International Limited;
- (r) the sale and purchase agreement dated 1 December 2010 entered into among the Seller as seller, Norwood Asia Limited ("**Norwood**") as purchaser, KHI as the Seller's guarantor and PGR Asian Real Estate Fund, L.P. as Norwood's guarantor pursuant to which the Seller has conditionally agreed to sell and Norwood has conditionally agreed to purchase, 1 ordinary share in the capital of Excel Chinese International Limited ("**ECIL**"), representing the

entire issued share capital of ECIL as at 1 December 2010, and the loan owing by ECIL to the Seller as at the completion date for an aggregate consideration of HK\$290,000,000 less the amount owed by ECIL to its mortgagee as at the completion date and subject to adjustment;

- (s) the sale and purchase agreement dated 11 August 2011 entered into between 58 Shepherds Bush Green LLP as vendor and Marvel Green Limited (a wholly-owned subsidiary of KHI) as purchaser pursuant to which Marvel Green Limited agreed to acquire and 58 Shepherds Bush Green LLP agreed to sell the freehold property situated at 58 Shepherd's Bush Green, London, United Kingdom at a consideration of £16,000,000 (equivalent to approximately HK\$202,400,000);
- (t) the sale and purchase agreement dated 7 September 2011 entered into among Caragis Limited and Vicsley Limited (both of which are wholly-owned subsidiaries of KHI) as vendors and Leader Fortune Holdings Limited as purchaser pursuant to which Caragis Limited and Vicsley Limited have agreed to sell and Leader Fortune Holdings Limited has agreed to purchase ALL THOSE pieces or parcels of ground registered in the Land Registry as THE REMAINING PORTION OF SECTION A of INLAND LOT NO.568 and INLAND LOT NO.8412 Together with the messuages erections and buildings thereon now known as "CENTRAL PARK HOTEL", No.263 Hollywood Road, Hong Kong for a consideration of HK\$515,000,000;
- (u) the joint venture agreement dated 11 October 2011 entered into between Subang Jaya and Mayland Valiant pursuant to which Subang Jaya and Mayland Valiant have conditionally agreed to, amongst other things, jointly develop properties on the parcels of freehold land held under firstly, No. Hakmilik: 38842 No. Lot 4244 Mukim Damansara, Daerah Petaling, Negeri Selangor, Malaysia, and secondly No. Hakmilik 38843, No. Lot 4245, Mukim Damansara, Daerah Petaling, Negeri Selangor, Malaysia for sale to the public;
- (v) the hotel management contract dated 30 November 2011 entered into between Kosmopolito Hotels International Services Limited (a wholly-owned subsidiary of KHI) and Leader Fortune Holdings Limited pursuant to which Kosmopolito Hotels International Services Limited was appointed as the hotel manager of the hotel currently known as "CENTRAL PARK HOTEL" and located at No. 263 Hollywood Road, Hong Kong for a period of 6 months starting from 1 December 2011;
- (w) the sale and purchase agreement dated 21 December 2011 entered into between FECL as seller and New Perfection Limited (a wholly-owned subsidiary of KHI) as purchaser pursuant to which FECL has agreed to sell and assign, and New Perfection Limited has agreed to acquire and take assignment of two ordinary shares of Capital Fortune Investment Limited ("**Capital Fortune**"), representing the entire issued share capital of Capital Fortune, and the loan owing by Capital Fortune to FECL, which, as at 21 December 2011 was HK\$63,753,125, respectively, at a total consideration of HK\$76,045,000;

- (x) the sale and purchase agreement dated 17 February 2012 and the supplemental agreement dated 17 April 2012 entered into by BHK No.2 Ltd. as vendor and Novel Orient Investments Limited (an indirect wholly-owned subsidiary of KHI) as purchaser pursuant to which Novel Orient Investments Limited has agreed to purchase and BHK No.2 Ltd. has agreed to sell ALL THAT piece or parcel of ground registered in the Land Registry as KWAI CHUNG TOWN LOT NO.167 TOGETHER with the messuages erections and buildings erected thereon now known as BIG ORANGE — KWAI CHUNG at a total consideration of HK\$210,000,000; and
- (y) the Sale and Purchase Agreement.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of KHI in Hong Kong at 6th Floor, Unicorn Trade Centre, 127-131 Des Voeux Road Central, Hong Kong from the date of this circular up to and including 10 July 2012:

- (a) the memorandum and articles of association of KHI;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (c) the Valuation Report, the text of which is set out on pages II-1 to II-4 in this circular;
- (d) the written consent of the expert referred to in the paragraph headed “Expert and consent” in this Appendix;
- (e) the annual report of KHI for the financial year ended 31 March 2011;
- (f) the interim report of KHI and its subsidiaries for the six months ended 30 September 2011; and
- (g) circulars issued by KHI since 31 March 2011 pursuant to Chapters 14 and 14A of the Listing Rules.

12. MISCELLANEOUS

- (a) The registered office of KHI is at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands.
- (b) The principal place of business of KHI is at 6th Floor, Unicorn Trade Centre, 127-131 Des Voeux Road Central, Central, Hong Kong.
- (c) The share registrar and transfer office of KHI is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

- (d) The company secretary of KHI is Ms. MUI Ngar May, Joel who is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.