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**FAR EAST CONSORTIUM
INTERNATIONAL LIMITED**

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

Website: <http://www.fecil.com.hk>
(Stock Code: 35)



Kosmopolito Hotels International Limited

麗悦酒店集團有限公司

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

Website: <http://www.kosmohotels.com>
(Stock Code: 2266)

**JOINT ANNOUNCEMENT
DISCLOSEABLE TRANSACTION INVOLVING
SALE OF THE PROPERTY**

THE SALE

The respective Boards of FEC and KHI wish to announce that on 7 September 2011, the Vendors entered into the Sale and Purchase Agreement with the Purchaser, an independent third party, whereby the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Property for a consideration of HK\$515,000,000.

LISTING RULES IMPLICATIONS

KHI is a non wholly-owned subsidiary of FEC and as the Vendors are wholly-owned subsidiaries of KHI and non wholly-owned subsidiaries of FEC and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale are greater than 5% but less than 25% for both FEC and KHI, the Sale constitutes a discloseable transaction for both FEC and KHI and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 7 September 2011, the Vendors entered into the Sale and Purchase Agreement with the Purchaser, whereby the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Property for a consideration of HK\$515,000,000.

The Vendors, namely Caragis Limited and Vicsley Limited, are wholly-owned subsidiaries of KHI. As FEC indirectly holds approximately 73.1% of the issued share capital of KHI, KHI is a non wholly-owned subsidiary of FEC and the Vendors are accordingly non wholly-owned subsidiaries of FEC.

Caragis Limited is the registered owner of ALL THAT piece or parcel of ground registered in the Land Registry as THE REMAINING PORTION OF SECTION A of INLAND LOT NO. 568 And of and in the messuages erections and buildings thereon forming part of the Property.

Vicsley Limited is the registered owner of ALL THAT piece or parcel of ground registered in the Land Registry as INLAND LOT NO. 8412 And of and in the messuages erections and buildings thereon forming part of the Property.

Summarised below are the principal terms of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date

7 September 2011

Parties

Vendors:

1. Caragis Limited, a wholly-owned subsidiary of KHI and a non wholly-owned subsidiary of FEC; and
2. Vicsley Limited, a wholly-owned subsidiary of KHI and a non wholly-owned subsidiary of FEC.

Purchaser: Leader Fortune Holdings Limited. To the best of the knowledge, information and belief of the FEC Directors and the KHI Directors having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner(s) of the Purchaser are third parties independent of both the FEC Group and the KHI Group and the connected persons (as defined under the Listing Rules) of both the FEC Group and the KHI Group.

Asset to be sold

The Property

Consideration

The Consideration is the sum of HK\$515,000,000 which shall be satisfied in cash in the following manner:

- (a) HK\$5,150,000 has been paid by the Purchaser to the Vendors' solicitors (as stakeholders) as initial deposit prior to the signing of the Sale and Purchase Agreement;
- (b) HK\$46,350,000 will be paid by the Purchaser to the Vendors' solicitors (as stakeholders) as further deposit on or before the business day immediately after the signing of the Sale and Purchase Agreement; and
- (c) The balance of HK\$463,500,000 shall be paid by the Purchaser to the Vendors upon Completion.

The Vendors' solicitors may release the initial deposit and further deposit to the Vendors provided that the balance of the Consideration is sufficient to discharge the existing legal charge/mortgage in respect of the Property.

The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser with the Vendors taking reference to a valuation certificate prepared by DTZ Debenham Tie Leung Limited, an independent professional property valuer, showing the estimated value of the Property as at 31 March 2011 was HK\$472,000,000.

Completion

Completion shall take place on 7 December 2011 or such earlier date as may be agreed between the Vendors and the Purchaser.

MANAGEMENT OF THE HOTEL

The Hotel is currently being managed by the KHI Group. Upon the signing of the Sale and Purchase Agreement, the Purchaser has the option at any time up to but no later than 31 days before Completion to enter into a hotel management contract with KHIS whereby subject to Completion and terms to be mutually agreed between the Purchaser and KHIS, KHIS shall be appointed as the hotel manager of the Hotel for a period of up to 6 months starting from the date of Completion.

KHI and the Purchaser are currently conducting preliminary negotiations on the management of the Hotel by KHIS following Completion.

INFORMATION ON FEC, KHI AND THE PURCHASER

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

The principal business activities of the KHI Group comprise developing, owning and operating value, mid-scale, upscale and boutique hotels, and property investment, development and trading.

The Purchaser is principally engaged in real estate investments and investment holding.

FINANCIAL INFORMATION ON THE PROPERTY

The profits before tax attributable to the Property for the years ended 31 March 2011 and 31 March 2010 were HK\$26,839,396 and HK\$15,629,760 respectively.

The aggregate book value of the Property as recorded in the respective audited accounts of the Vendors for the year ended 31 March 2011 is HK\$128,077,654.

REASONS FOR AND BENEFIT OF THE SALE

The KHI Directors consider the Sale would provide a good opportunity for the KHI Group to monetarise one of its smaller assets, realise shareholders' value created by the KHI Group since its acquisition of the Property and subsequent conversion into a hotel, as well as reduce the KHI Group's total bank borrowings by repaying the Property's mortgage. The Sale would also provide additional cash flows to the KHI Group to enable it to redeploy its resources to other value-accretive investment opportunities. The FEC Directors consider that FEC, as the ultimate holding company of KHI, would in turn benefit from the Sale.

The KHI Directors estimate that upon Completion, the KHI Group is expected to record a gain from the Sale of approximately HK\$370 millions attributable to the shareholders of KHI, such gain having been arrived at by reference to the terms of the Sale and related costs and expenses, and the carrying value of the Property in the accounts of the KHI Group.

The FEC Directors estimate that upon Completion, the FEC Group is expected to record a gain from the Sale of approximately HK\$270 millions attributable to the shareholders of FEC, such gain having been arrived at by reference to the terms of the Sale and related costs and expenses, and the carrying value of the Property in the accounts of the FEC Group.

Both the FEC Directors and the KHI Directors are of the view that the terms of the Sale and Purchase Agreement are 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 FEC Group, the KHI Group, and their respective shareholders as a whole.

USE OF PROCEEDS

The KHI Directors expect that the net proceeds from the Sale after repaying the Property's mortgage will be retained as capital for future value-accretive investment opportunities of the KHI Group.

LISTING RULES IMPLICATIONS

KHI is a non wholly-owned subsidiary of FEC and as the Vendors are wholly-owned subsidiaries of KHI and non wholly-owned subsidiaries of FEC and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale are greater than 5% but less than 25% for both FEC and KHI, the Sale constitutes a discloseable transaction for both FEC and KHI and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	board of directors;
“Completion”	the completion of the sale and purchase of the Property under the Sale and Purchase Agreement;
“Consideration”	the consideration of HK\$515,000,000, payable by the Purchaser to the Vendors for the Sale;
“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;
“FEC Directors”	the directors of FEC;
“FEC Group”	FEC and its subsidiaries;
“HK\$”	Hong Kong dollars;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hotel”	the hotel which is currently known as “CENTRAL PARK HOTEL” and located at No. 263 Hollywood Road, Hong Kong, which comprises part of the Property;
“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 and a non wholly-owned subsidiary of FEC;
“KHI Directors”	the directors of KHI;
“KHI Group”	KHI and its subsidiaries;
“KHIS”	Kosmopolito Hotels International Services Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of KHI;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	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;
“Purchaser”	Leader Fortune Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“Sale”	the sale of the Property by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreement;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 September 2011 and entered into between the Purchaser and the Vendors in relation to the Sale;
“Vendors”	Caragis Limited and Vicsley Limited;

“Stock Exchange” The Stock Exchange of Hong Kong Limited; and
“%” per cent.

<p>By order of the Board of Far East Consortium International Limited Cheung Wai Hung Boswell <i>Chief Financial Officer and Company Secretary</i></p>	<p>By order of the Board of Kosmopolito Hotels International Limited Mok Kwai Pui Bill <i>President and Executive Director</i></p>
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Hong Kong, 7 September 2011

As at the date of this announcement, the executive directors of FEC are Mr. CHIU Te Ken Deacon, Tan Sri Dato' CHIU David, Mr. CHIU Dennis and Mr. Craig Grenfell WILLIAMS; the non-executive directors of FEC are Madam CHIU Ju Ching Lan, Mr. CHIU Tat Jung Daniel; the independent non-executive directors of FEC are Mr. JIANG Jian Yin, Mr. CHAN Kwok Wai and Mr. WONG Man Kong Peter.

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

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