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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)**

### **POSSIBLE MAJOR TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF KOSMOPOLITO HOTELS INTERNATIONAL LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to Rule 13.09 and PN 15.

The Board announces that on 28 April 2010, the Company submitted a spin-off proposal to the Stock Exchange pursuant to PN 15 in relation to the Proposed Spin-off of Kosmopolito. The Stock Exchange has granted approval on our PN 15 submission on 23 June 2010 and confirmed that the Company may proceed with the Proposed Spin-off.

On 30 June 2010, Kosmopolito submitted a listing application form (for equity securities and debt securities) (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the Kosmopolito Shares on the Main Board of the Stock Exchange.

Kosmopolito is currently a wholly-owned subsidiary of the Company. It is a developer, owner and operator of value to upscale and boutique hotels in Asia with a strong presence in Hong Kong and Malaysia and a primary focus on expansion in China. The business of Kosmopolito comprises hotel investment, operation, management and development.

It is currently proposed that pursuant to the Global Offering, Kosmopolito Shares will be offered for subscription by way of public offer in Hong Kong and international placement to professional, institutional and other investors.

In accordance with the requirements of PN 15, the Board proposes to give due regard to the interests of Shareholders by providing qualifying Shareholders with an assured entitlement to Kosmopolito Shares by way of a preferential offering of Kosmopolito Shares if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of Kosmopolito will be reduced although it is intended that Kosmopolito will remain a subsidiary of the Company. The Board considers that the Proposed Spin-off will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Spin-off is subject to approval by the Shareholders. A circular containing, among others, further details of the Proposed Spin-off, a letter of advice from an independent financial advisor on the Proposed Spin-off as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off will be despatched to the Shareholders in due course. The Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

**The listing of the Kosmopolito Shares pursuant to the Proposed Spin-off is subject to, among other things, the Proposed Spin-off being approved by the Shareholders, the Listing Approval and the final decisions of the Board, and of the board of directors of Kosmopolito. Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the Kosmopolito Shares will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.**

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

## INTRODUCTION

This announcement is made pursuant to Rule 13.09 and PN 15.

The Board announces that on 28 April 2010, the Company submitted a spin-off proposal to the Stock Exchange pursuant to PN 15 in relation to the Proposed Spin-off of Kosmopolito. The Stock Exchange has granted approval on our PN 15 submission on 23 June 2010 and confirmed that the Company may proceed with the Proposed Spin-off.

On 30 June 2010, Kosmopolito submitted a listing application form (for equity securities and debt securities) (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the Kosmopolito Shares on the Main Board of the Stock Exchange.

## **KOSMOPOLITO HOTELS INTERNATIONAL LIMITED**

Kosmopolito is a wholly-owned subsidiary of the Company. It is a developer, owner and operator of value to upscale and boutique hotels in Asia with a strong presence in Hong Kong and Malaysia and a primary focus on expansion in China. The business of Kosmopolito comprises hotel investment, operation, management and development. Kosmopolito currently owns and operates a total of seven hotels in Hong Kong.

## **PROPOSED SPIN-OFF**

It is currently proposed that, pursuant to the Global Offering, Kosmopolito Shares will be offered for subscription by way of public offering in Hong Kong and international placement to professional, institutional and other investors.

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of Kosmopolito will be reduced although it is intended that Kosmopolito will remain a subsidiary of the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board considers that the Proposed Spin-off is in the interests of the Group and the Shareholders taken as a whole based on the following reasons:

- (i) the Proposed Spin-off will provide Kosmopolito Group with flexibility and a separate fund raising platform for raising funds from the capital markets to support its growth through continuing organic growth as well as acquisitions;
- (ii) the Proposed Spin-off essentially separates the business of property development from the business of hotel investment, operation, management and development. Such segregation enables investors and financiers to appraise the strategies, functional exposure, risks and returns of the hotel investment, operation, management and development business separately and may attract new investors who are seeking investment opportunities in a group with specialised expertise and a business focus in the hotel industry of the Asia region. Investors will have the choice to invest in either one or both of the business models;
- (iii) the Proposed Spin-off will enable the management teams of the Group and Kosmopolito Group to focus on the respective core business of the two groups, thereby enhancing efficiency in their respective decision-making processes and responsiveness to market changes;

- (iv) the Company intends to maintain more than 50% equity interest in Kosmopolito. Accordingly, the Company will continue to benefit from any potential upside in the hotel investment, operation, management and development business to be owned by the Kosmopolito Group through consolidation of financial results generated by the Kosmopolito Group; and
- (v) as a listed company, Kosmopolito will be able to offer an equity based incentive program (such as a share option scheme) to its employees that correlates directly to the performance of the hotel investment, operation, management and development business. Kosmopolito would therefore be in a better position to motivate its employees with incentive programs that closely align with the objective of value creation for Kosmopolito's shareholders.

## **ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT**

In accordance with the requirements of PN 15, the Board proposes to give due regard to the interests of Shareholders by providing qualifying Shareholders with an assured entitlement to Kosmopolito Shares by way of preferential offering of Kosmopolito Shares if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

## **POSSIBLE MAJOR TRANSACTION AND SHAREHOLDERS' APPROVAL**

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of Kosmopolito will be reduced although it is intended that Kosmopolito will remain a subsidiary of the Company. The Board considers that the Proposed Spin-off will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Spin-off is subject to approval of the Shareholders.

A circular containing, among others, further details of the Proposed Spin-off, a letter of advice from an independent financial advisor on the Proposed Spin-off as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off will be despatched to the Shareholders in due course. The Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

## **GENERAL**

The principal business of the Group comprises (i) property development and investment (including hotel development and redevelopment), (ii) hotel investment, operation, management and development and (iii) car park investment and management.

In connection with the Global Offering, the price of Kosmopolito Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) will be contained in the prospectus which is proposed to be issued in connection with the Hong Kong Public Offering.

**The listing of the Kosmopolito Shares pursuant to the Proposed Spin-off is subject to, among other things, the Proposed Spin-off being approved by the Shareholders, the Listing Approval and the final decisions of the Board and of the board of directors of Kosmopolito. Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the Kosmopolito Shares will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.**

**This announcement is not an offer for sale of any securities in the United States. No securities can be offered or sold in the United States unless registered or exempted from registration. Any public offering of securities in the United States will be done by means of a prospectus. The Proposed Spin-off will not be registered in the United States.**

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

## **DEFINITIONS**

“Board”	the board of directors of the Company
“Company”	Far East Consortium International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”	the Company and its subsidiaries (including the Kosmopolito Group)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offering”	the proposed issue and offer for subscription of Kosmopolito Shares to the public in Hong Kong
“International Offering”	the proposed conditional placing of Kosmopolito Shares to professional, institutional investors and other investors
“Kosmopolito”	Kosmopolito Hotels International Limited, a company incorporated in the Cayman Islands on 23 January 2007
“Kosmopolito Group”	Kosmopolito and its subsidiaries
“Kosmopolito Shares”	ordinary shares in the share capital of Kosmopolito

“Listing Approval”	the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Kosmopolito Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PN 15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Spin-off”	the proposed disposal of part of the Company’s interest in Kosmopolito by way of a separate listing of Kosmopolito Shares on the Main Board of the Stock Exchange
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board of  
**Far East Consortium International Limited**  
**Mok Kwai Pui Bill**  
*Chief Financial Officer and Company Secretary*

Hong Kong, 30 June 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Deacon Te Ken Chiu, Tan Sri Dato’ David Chiu, Mr. Dennis Chiu and Mr. Craig Grenfell Williams, the non-executive directors are Madam Ching Lan Ju Chiu, Mr. Daniel Tat Jung Chiu; the independent non-executive directors are Mr. Jian Yin Jiang, Mr. Kwok Wai Chan and Mr. Peter Man Kong Wong.*