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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  
AND  
PROPOSED ADOPTION OF KOSMOPOLITO SHARE OPTION SCHEME  
PRICE SENSITIVE ANNOUNCEMENT  
WEB PROOF INFORMATION PACK**

This announcement is made pursuant to Rule 13.09 and Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 30 June 2010 in relation to the Proposed Spin-off.

A circular containing, among others, further details of the Proposed Spin-off, the Preferential Offering and the Kosmopolito Share Option Scheme, a letter of advice from an independent financial adviser on the Proposed Spin-off as well as a notice of the EGM to be convened by the Company to approve the Proposed Spin-off and the adoption of Kosmopolito Share Option Scheme has been despatched to the Shareholders on 2 September 2010.

As at the date of this announcement, the Board has not yet finalised whether and when the Proposed Spin-off and the Global Offering will be effected. There is no assurance that the approval for the Proposed Spin-off and the listing of, and permission to deal in, the Kosmopolito Shares on the Main Board of the Stock Exchange will be granted by the Listing Committee of the Stock Exchange. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off and the Global Offering as and when appropriate.

In connection with the Proposed Spin-off, it is expected that Kosmopolito will submit the WPIP to the Stock Exchange on or about 2 September 2010 for publication on the Stock Exchange's website. It is expected that the WPIP will be available for viewing and downloading from the Stock Exchange's website at <http://www.hkexnews.hk> on or about 3 September 2010. The WPIP contains, amongst others, certain business and financial information relating to Kosmopolito, the valuation of the properties of Kosmopolito as at 30 June 2010 and Kosmopolito's forecast profit for the six-months ending 30 September 2010. The WPIP is in draft form and the information contained in it is incomplete and is subject to change which can be material. The Company does not have any obligation or liability whatsoever in relation to the WPIP.

**Shareholders and potential investors should note that the Proposed Spin-off and the Global Offering are subject to, among others, the final decision of the Board and the board of directors of Kosmopolito and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## INTRODUCTION

This announcement is made pursuant to Rule 13.09 and Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 30 June 2010 in relation to the Proposed Spin-off. On 28 April 2010, the Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off of Kosmopolito. The Stock Exchange approved our PN15 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 in issue as at the date of the Prospectus, Kosmopolito Shares to be issued under the Global Offering (including the Kosmopolito Shares to be issued upon the exercise of the Over-allotment Option), the Capitalisation Issue and the Kosmopolito Shares to be issued upon the exercise of the options that may be granted under the Kosmopolito Share Option Scheme, on the Main Board of the Stock Exchange.

Kosmopolito was an exempted company incorporated in the Cayman Islands on 23 January 2007 with limited liability. Members of the Group will undergo a reorganisation prior to the Proposed Spin-off. The Assured Entitlements required under PN15 will be satisfied by way of the Preferential Offering to be made to the Qualifying Shareholders.

Given that the applicable percentage ratios calculated in accordance with Rule 14.06 of the Listing Rules are expected to be more than 25% but less than 75%, the Proposed Spin-off, if it proceeds, will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. It will also constitute a deemed disposal of subsidiary by the Company under Rule 14.29 and pursuant to PN15 of the Listing Rules, it will be subject to the approval of the Shareholders. Upon completion of the Proposed Spin-off, Kosmopolito will remain a subsidiary of the Company. Subject to the Proposed Spin-off, Kosmopolito will seek to adopt the Kosmopolito Share Option Scheme which will also require approval of the Shareholders under Chapter 17 of the Listing Rules.

## **THE PROPOSED SPIN-OFF**

The Proposed Spin-off is expected to be effected by way of the Global Offering which will comprise the Hong Kong Public Offering and the International Offering, and will be accompanied by a separate listing of the Kosmopolito Shares on the Main Board of the Stock Exchange. The final structure of the Proposed Spin-off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering and the International Offering will be decided by the Board and the board of directors of Kosmopolito. Upon the successful conclusion of the Global Offering, the Kosmopolito Shares will be listed on the Main Board of the Stock Exchange.

The Global Offering is expected to comprise an offer of Hong Kong Offer Shares, which is open to members of the public and institutional and professional investors in Hong Kong, and International Offer Shares, which is selectively marketed to institutional and professional investors and other investors as described in the Prospectus.

Out of the Kosmopolito Shares to be made available for subscription under the International Offering, a portion of such Kosmopolito Shares will be made available to the Qualifying Shareholders for subscription under the Preferential Offering. Please refer to the section headed “Preferential Offering” below for details of the Preferential Offering. It is also expected that the Over-allotment Option will be granted by the Selling Shareholder and / or Kosmopolito to the underwriters under the International Offering to require the Selling Shareholder to sell and / or Kosmopolito to allot and issue an aggregate of up to approximately 15% of the Kosmopolito Shares to be initially offered under the Global Offering at the Offer Price to cover over-allocations in the International Offering.

On the basis of the above offering structure, immediately after the Proposed Spin-off, taking no account of any Kosmopolito Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme, Kosmopolito will have a public float of not less than 25% of its enlarged issued share capital. The new Kosmopolito Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all other Kosmopolito Shares then in issue.

The Proposed Spin-off is conditional on the conditions set out in the sub-section headed “Conditions precedent to the Proposed Spin-off” below.

## **Separate listing of the Kosmopolito Shares**

The Kosmopolito Controlling Shareholders will be subject to restrictions on disposal of the Kosmopolito Shares whereby, other than pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, the Kosmopolito's Controlling Shareholders, shall not (i) in the period commencing on the date as specified in the Prospectus and ending on the date which is six months from the date of Listing, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of Kosmopolito which are shown by the Prospectus to be beneficially owned by them; and (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of Kosmopolito referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Kosmopolito Controlling Shareholders would collectively cease to be entitled to exercise or control the exercise of 30% of the voting power at general meetings of Kosmopolito. As a result of such restriction, the Remaining Group shall retain the Kosmopolito Shares to be held by it for at least the abovementioned periods.

The Shares will continue to be listed on the Main Board of the Stock Exchange after the implementation of the Proposed Spin-off. The Listing of Kosmopolito Shares on the Main Board of the Stock Exchange is conditional upon the fulfillment or waiver of the conditions stated in the sub-section headed "Conditions precedent to the Proposed Spin-off" below.

### **Conditions precedent to the Proposed Spin-off**

The Proposed Spin-off will be conditional on, among others, the following:

- (i) the Listing Committee of the Stock Exchange granting approval for the Proposed Spin-off and the listing of, and permission to deal in, the shares of Kosmopolito in issue and to be allotted and issued under the Global Offering (including the shares of Kosmopolito to be allotted and issued upon the exercise of the options that may be granted under the Kosmopolito Share Option Scheme and the Over-allotment Option, if any);
- (ii) the terms and structure of the Global Offering being agreed among the Company, Kosmopolito and Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited and The Royal Bank of Scotland N.V., Hong Kong Branch (in alphabetical order) together, the joint bookrunners, joint global coordinators, joint lead managers and the joint sponsors;
- (iii) the Shareholders passing an ordinary resolution by way of poll at the EGM approving the implementation of the Proposed Spin-off and other related matters; and
- (iv) the obligations of the underwriters under the underwriting agreements to be entered into among others, the Company, Kosmopolito and the underwriters in respect of the Global Offering becoming unconditional in all respects and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the dates and times to be specified therein.

If any of these and other applicable conditions are not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off will not proceed and the Stock Exchange will be notified immediately and an announcement will be published by the Company as soon as practicable thereafter.

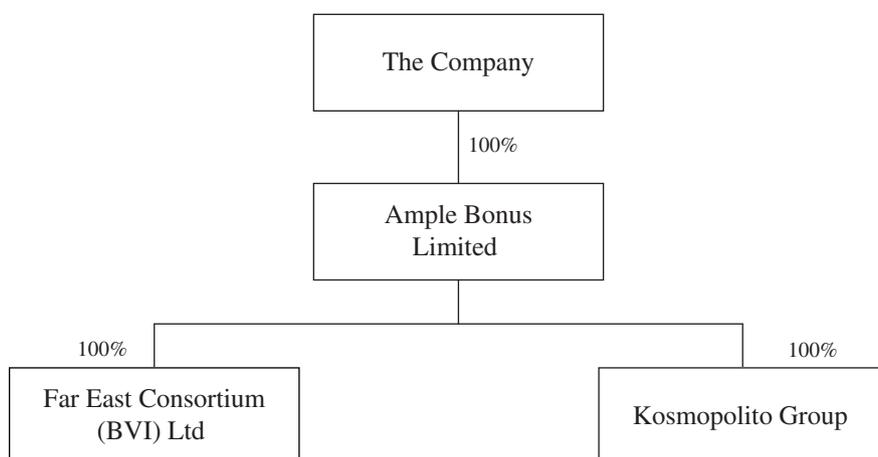
### Shareholding effects of the Proposed Spin-off

#### *Shareholding structure of the Kosmopolito Group prior to the Proposed Spin-off*

As at the Latest Practicable Date, Kosmopolito was indirectly held as to 100% by the Company.

The following chart sets out the simplified corporate structure of the Kosmopolito Group as at the Latest Practicable Date:

#### **The corporate structure of the Kosmopolito Group as at the Latest Practicable Date**

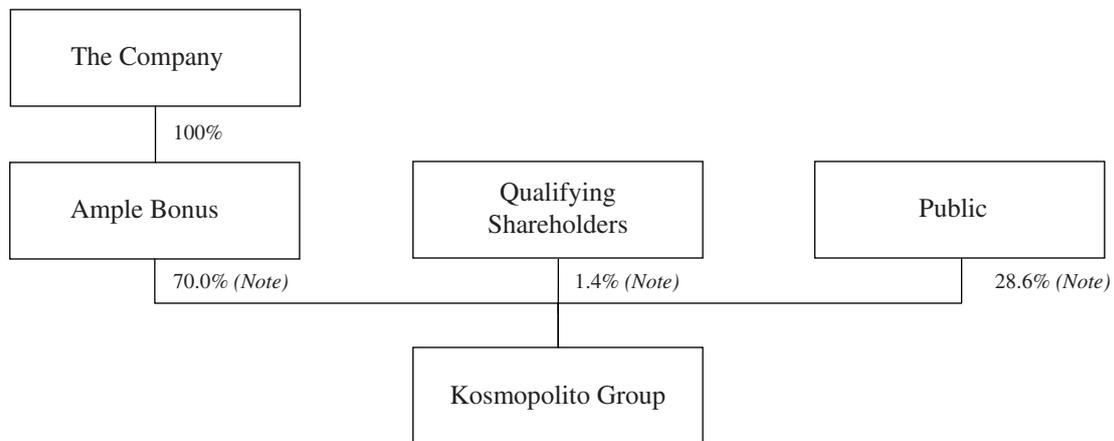


#### *Shareholding structure of the Kosmopolito Group upon completion of the Proposed Spin-off*

Members of the Group will undergo a reorganisation prior to the Proposed Spin-off. Upon completion of the Proposed Spin-off where up to approximately 30.0% Kosmopolito Shares are expected to be offered pursuant to the Global Offering, taking no account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme, the Company's equity interest in Kosmopolito will be reduced to a minimum of approximately 70.0%. If the Over-allotment Option is exercised in full, additional Kosmopolito Shares representing an aggregate of up to approximately 15% of the Kosmopolito Shares initially being offered under the Global Offering will be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder. Accordingly, the Company's equity interest in Kosmopolito could be reduced further, to a minimum of approximately 66.3%.

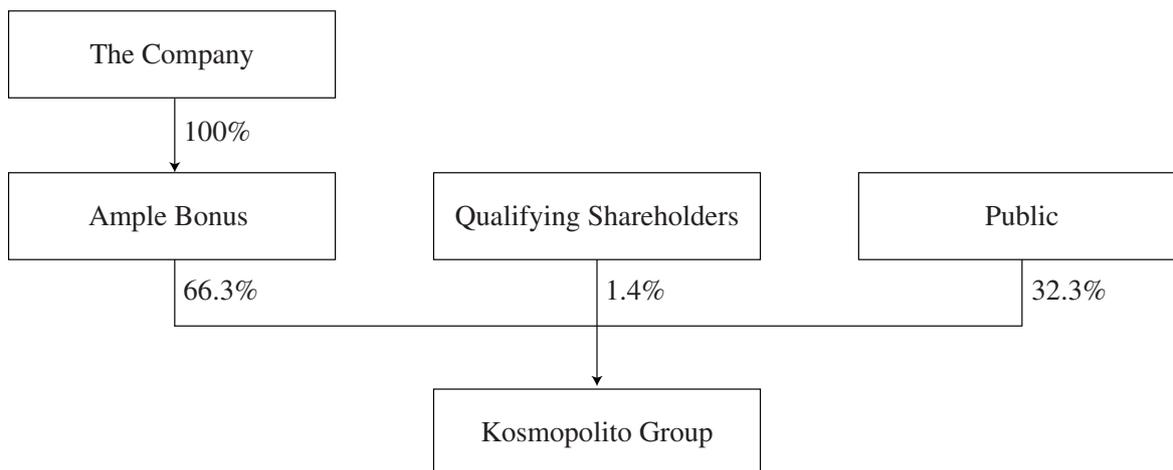
The following chart sets out the simplified corporate structure of the Kosmopolito Group immediately following the completion of the Proposed Spin-off (taking no account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme):

**The corporate structure of the Kosmopolito Group  
immediately following the completion of the Proposed Spin-off**



*Note:* The percentages of Kosmopolito Shares held by each of Ample Bonus, Qualifying Shareholders and the public is based on the assumption that a maximum of approximately 30.0% of the Kosmopolito Shares are offered pursuant to the Global Offering (taking no account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme). The percentage of Kosmopolito Shares held by Qualifying Shareholders is based on the assumption that all Kosmopolito Shares offered under the Preferential Offering have been fully subscribed for by Qualifying Shareholders. Kosmopolito may offer a lower percentage of the shares of Kosmopolito under the Global Offering. In any event Kosmopolito will offer at least 27% of its shares taking into account the Reserved Shares pursuant to the Global Offering.

The following chart sets out the simplified shareholding structure of the Kosmopolito Group immediately following the completion of the Proposed Spin-off (taking into account the Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder pursuant to the exercise, in full, of the Over-allotment Option but not the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme):



*Note:* The percentages of Kosmopolito Shares held by each of Ample Bonus, Qualifying Shareholders and the public is based on the assumption that a maximum of approximately 33.7% of the Kosmopolito Shares are offered pursuant to the Global Offering (taking into account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme). The percentage of Kosmopolito Shares held by Qualifying Shareholders is based on the assumption that all Kosmopolito Shares offered under the Preferential Offering have been fully subscribed for by Qualifying Shareholders. Kosmopolito may offer a lower percentage of the shares of Kosmopolito under the Global Offering. In any event Kosmopolito will offer at least 27% of its shares taking into account the Reserved Shares pursuant to the Global Offering.

## Financial information of Kosmopolito

### *Results of operation and financial position*

The following is a summary of the Kosmopolito Group's unaudited results of operations for each of the three financial years ended 31 March 2008, 2009 and 2010:

	Year ended 31 March (unaudited)		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	633,635	681,905	616,253
<b>Gross profit</b>	383,660	403,727	331,745
Profit before taxation	256,891	98,625	55,619
Income tax expense	(30,415)	(11,948)	(9,806)
Profit for the year	226,476	86,677	45,813
<b>Total assets</b>	3,852,279	5,288,860	6,340,759
<b>Total liabilities</b>	3,586,445	5,190,060	6,156,754
Total available room nights	842,251	1,002,647	1,084,852
Total occupied room nights	716,443	773,928	813,214
Occupancy rate	85.1%	77.2%	75.0%

### *Financial effects of the Proposed Spin-off*

The following estimates the financial effect on the Company as a result of the Proposed Spin-off and is for illustration purposes only.

#### *Net asset value*

The audited consolidated net assets after deducting non-controlling interests of the Group was approximately HK\$6,061 million as at 31 March 2010. The unaudited combined net asset value of the Kosmopolito Group as at 31 March 2010 was approximately HK\$184 million. Taking into account the expected capitalisation of net amounts due to the Remaining Group of approximately HK\$1,860 million as at 31 March 2010 by Kosmopolito pursuant to the Capitalisation Issue, the unaudited proforma combined net asset value of the Kosmopolito Group as at 31 March 2010 was approximately HK\$2,044 million. The Capitalisation Issue does not have any impact on the consolidated total assets and liabilities of the Company.

Assuming the Over-allotment Option and the options may be granted under the Kosmopolito Share Option Scheme are not exercised, the minimum market capitalisation of Kosmopolito at Listing is expected to be approximately HK\$3,900 million. Taking into account the minimum total net proceeds of approximately HK\$1,002 million (assuming 27% of Kosmopolito Shares to be offered pursuant to the Global Offering), the unaudited proforma combined net asset value of the Kosmopolito Group as at 31 March 2010 would be approximately HK\$2,543 million.

Assuming the Over-allotment Option is exercised but the options may be granted under the Kosmopolito Share Option Scheme are not exercised, the minimum market capitalisation of Kosmopolito at Listing is expected to be approximately HK\$3,980 million. Taking into account the minimum total net proceeds of approximately HK\$1,159 million. The unaudited proforma combined net asset value of the Kosmopolito Group as at 31 March 2010 would be approximately HK\$2,623 million.

Based on the current proposed structure of the Global Offering, the Board expects that the Company will recognise a minimum net gain to the Company resulting from the Proposed Spin-off of approximately HK\$315 million (consisting of HK\$343 million gross gain on disposal and HK\$28 million share disposal expenses) (assuming the Over-allotment Option and the options may be granted under the Kosmopolito Share Option Scheme are not exercised).

However, it should be noted that the aforesaid net gain is estimated based on a number of assumptions, including, among others, the estimated market capitalisation at Listing and the assumption that the Global Offering was completed on 31 March 2010, and has not taken into account the financial position of the Kosmopolito Group after 31 March 2010. Accordingly, the actual net gain to be recognised by the Group, which shall be calculated by reference to the financial position of the Kosmopolito Group at the time of completion of the Global Offering, may be different from the above estimation. Assuming the Proposed Spin-off is completed by 31 October 2010 and on the basis of the minimum proposed offer size and structure of the Global Offering, such net gain will be recognised as reserve movements of the Company for the year ending 31 March 2011. The net assets (after deducting minority interest) of the Group are therefore expected to increase by the same amount of such net gain.

### *Earnings*

The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among others, the return generated from the proceeds raised from the Global Offering as well as the growth of the business operations of Kosmopolito Group.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 March 2009 and 2010, the audited consolidated profits before taxation of the Group were approximately HK\$221.9 million and approximately HK\$494.6 million, respectively. For each of the two years ended 31 March 2009 and 2010, the audited consolidated profits after taxation and minority interests of the Group were approximately HK\$85.5 million and approximately HK\$305.5 million, respectively.

Based on the unaudited combined financial statements of the Kosmopolito Group for each of the two years ended 31 March 2009 and 2010, the unaudited combined profits before taxation of the Kosmopolito Group were approximately HK\$98.6 million and approximately HK\$55.6 million, respectively. For each of the two years ended 31 March 2009 and 2010, the unaudited combined profits after taxation of the Kosmopolito Group were approximately HK\$86.7 million and approximately HK\$45.8 million, respectively. Details of the audited combined results of the Kosmopolito Group for each of the three years ended 31 March 2008, 2009 and 2010 will be included in the Prospectus.

Following completion of the Proposed Spin-off, the Group's earnings contributed from Kosmopolito Group are expected to be reduced as the Company's interest in Kosmopolito will be reduced from 100.0% down to a minimum of approximately 70.0% (assuming the Over-allotment Option and the options which may be granted under the Kosmopolito Share Option Scheme are not exercised) and Kosmopolito will still be regarded as a subsidiary of the Group. Consequently, financial results of the Kosmopolito Group will continue to be consolidated into the accounts of the Group. As a result of the Proposed Spin-off whereby part of the Kosmopolito Group is disposed of by the Group, minority interests of the Group are expected to increase.

### **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 and the Kosmopolito Group 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 in China and the Asia Pacific 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 or share award 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.

### Intended use of proceeds

Set out below is, for illustration purpose only, the minimum expected net cash inflow from the Proposed Spin-off to the Selling Shareholder and Kosmopolito assuming the Over-allotment Option and the options which may be granted under the Kosmopolito Share Option Scheme are not exercised:

	<i>HK\$ million</i>
Illustrative Consideration	1,062
– To the Selling Shareholder	531
– To Kosmopolito	531
<i>Less:</i>	
Expected transaction costs to be incurred for the Proposed Spin-off	60
<b>Minimum amount of expected net proceeds from the Proposed Spin-off</b>	<b><u>1,002</u></b>

The Company currently intends to use the net proceeds from the Global Offering payable to the Selling Shareholder in the following manner:

- approximately 50% of the net proceeds payable to the Selling Shareholder for investment in our property development business; and
- approximately 50% of the net proceeds payable to the Selling Shareholder for general working capital.

To the extent that the net proceeds from the Selling Shareholder are not sufficient to fund the uses set forth above, the Company intends to fund the balance through a variety of means including cash generated from the Group's operations and bank financing. The Directors believe that the net proceeds from the Selling Shareholder when combined with such alternate sources of financing, are sufficient for the uses set forth above.

Kosmopolito currently intends to use the net proceeds payable to Kosmopolito from the Global Offering in the following manner:

- approximately 80% of the net proceeds payable to Kosmopolito to continue the expansion of Kosmopolito's hotel portfolio; and
- approximately 20% of the net proceeds payable to Kosmopolito for the purposes of Kosmopolito's expansion into the hotel management business, which will incorporate Kosmopolito's rebranding exercise.

Further information regarding Kosmopolito's implementation plans for its hotel management business and rebranding strategy will be disclosed in the Prospectus.

The preliminary percentage above is for illustration purpose only and the final percentage shall be set out in the Prospectus. To the extent that the net proceeds from the issue of new Kosmopolito Shares are not sufficient to fund the uses set forth above, Kosmopolito intends to fund the balance through a variety of means including cash generated from Kosmopolito's operations and bank financing. The directors of Kosmopolito believe that the net proceeds from the issue of new Kosmopolito Shares, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

## **PREFERENTIAL OFFERING**

Subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Kosmopolito Shares on the Main Board of the Stock Exchange, under the current structure of the Proposed Spin-off, assuming a minimum of approximately 27% and a maximum of approximately 30% of the Kosmopolito Shares are offered pursuant to the Global Offering, the Board expects that Kosmopolito will offer Reserved Shares representing approximately 5.28% and 4.76% of the Kosmopolito Shares initially available under the Global Offering (taking no account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option and the Kosmopolito Shares to be issued upon the exercise of the options that may be granted under the Kosmopolito Share Option Scheme to be adopted), respectively, for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offering. The Reserved Shares will be allocated out of the International Offer Shares. It is expected that the Qualifying Shareholders will be entitled to subscribe such number of Reserved Shares on an assured basis at the Offer Price for 15 Reserved Shares for every whole multiple of 1,000 Shares (one board lot of Shares) held by them at 5:00 p.m. on the Record Date, provided that any Qualifying Shareholder holding less than 1,000 Shares (one board lot of Shares) at 5:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. As such, the Qualifying Shareholders will be offered the opportunity to maintain their interests in Kosmopolito to up to approximately 1.4% on an assured basis under the Preferential Offering (assuming the Over-allotment Option and the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme are not exercised). However, the final assured entitlement will depend on the number of Shares held by the Qualifying Shareholders at 5:00 p.m. on the Record Date. The Company will publish an announcement on or after the Record Date confirming the Qualifying Shareholders' entitlement to the Reserved Shares.

In addition to the Reserved Shares, the Qualifying Shareholders are also entitled to subscribe for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering. Any registered shareholder whose addresses on the register of members of the Company are outside Hong Kong, the PRC, France, Macau and New Zealand as at 5:00 p.m. on the Record Date are not entitled to subscribe for the Kosmopolito Shares pursuant to the Preferential Offering.

Overseas Shareholders who are excluded in compliance with the requirements set out in Rule 13.36(2) of the Listing Rules will not be entitled to apply for any Reserved Shares. Any Qualifying Shareholder holding less than 1,000 Shares (one board lot of Shares) will not be entitled to apply for the Reserved Shares on an assured basis.

According to the register of members of the Company as at the Latest Practicable Date, the Company has overseas shareholders with addresses in Australia, Brunei, Canada, China, France, Macau, Malaysia, New Zealand, Singapore, the United Kingdom and United States of America. The Company has made enquiries with the legal counsels of the relevant overseas jurisdiction of each Overseas Shareholder. In light of the legal restrictions under the applicable laws of the relevant countries and the costs and timing in complying with the applicable registration or filing requirements, the Board considers that it would be necessary or expedient to exclude such Overseas Shareholders from the Preferential Offering.

Any Qualifying Shareholder who holds the Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holder. Any beneficial owner of the Shares whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Assured Entitlement. Any such person may consider whether it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

For further details on the application for the Reserved Shares, please refer to the circular of the Company despatched to the Shareholders on 2 September 2010.

### EXPECTED TIMETABLE

Set out below the expected timetable for ascertaining the entitlement to the Preferential Offering.

2010

Last day for dealing in Shares cum-entitlement to the Preferential Offering . . . . .	Friday, 10 September
First day for dealing in Shares ex-entitlement to the Preferential Offering . . . . .	Monday, 13 September
Latest time for lodging transfers of Shares to qualify for the Preferential Offering ( <i>Note</i> ) . . . . .	4:30 p.m. on Tuesday, 14 September
Register of members of the Company closes ( <i>Note</i> ) . . . . .	Wednesday, 15 September to Friday, 17 September
Latest time for return of proxy forms in respect of the EGM . . . . .	3:30 p.m. on Wednesday, 15 September
Record Date for determining the entitlement to the Preferential Offering and eligibility to attend and vote at the EGM ( <i>Note</i> ) . . . . .	Friday, 17 September
EGM . . . . .	3:30 p.m. on Friday, 17 September
Register of members of the Company re-opens on . . . . .	Monday, 20 September

All times above refer to Hong Kong local time. Please note that the above tentative timetable depends largely on the final timetable of the Proposed Spin-off and thus it may be subject to further changes. Further announcement(s) will be made as and when necessary.

*Note:* The Board may determine another date for closure of the register of members of the Company and for determination of entitlements to the Preferential Offering, in which case a further announcement will be made to inform the Shareholders.

## **KOSMOPOLITO SHARE OPTION SCHEME**

It is proposed that Kosmopolito will adopt its own share option scheme. The purpose of the Kosmopolito Share Option Scheme is to enable the Kosmopolito Group to grant options to selected participants as incentives or rewards for their contribution to the Kosmopolito Group. It will thus enable the Kosmopolito Group to reward its directors and employees, and the directors and employees of its subsidiaries and other selected participants for their contributions to the Kosmopolito Group and to motivate them to contribute to the development of the Kosmopolito Group.

A summary of the principal terms of the Kosmopolito Share Option Scheme has been set out in Appendix III to the circular of the Company despatched to the Shareholders on 2 September 2010. The adoption of the Kosmopolito Share Option Scheme is conditional on (i) the Shareholders passing an ordinary resolution at the EGM to approve the Kosmopolito Share Option Scheme and the shareholder of Kosmopolito passing an ordinary resolution to approve and adopt the Kosmopolito Share Option Scheme; (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Kosmopolito Shares to be issued pursuant to the exercise of any options which may be granted under the Kosmopolito Share Option Scheme; and (iii) the commencement of dealings in the Kosmopolito Shares on the Main Board of the Stock Exchange.

## **LISTING RULES IMPLICATIONS**

Under the current structure of the Proposed Spin-off and taking no account of any Kosmopolito Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Kosmopolito Share Option Scheme, the Company's indirect interest in Kosmopolito will initially be reduced from 100.0% down to a minimum of approximately 70.0% immediately following implementation of the Proposed Spin-off, and will be further reduced to about a minimum of approximately 66.3% if the Over-allotment Option is exercised in full. The Proposed Spin-off (taking into account of any Kosmopolito Shares which may be issued pursuant to the exercise of the Over-allotment Option but excluding options which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme) will constitute a deemed disposal under Rule 14.29 of the Listing Rules and, given that the applicable percentage ratios calculated in accordance with Rule 14.06 of the Listing Rules are more than 25% but less than 75%, the Proposed Spin-off, if it proceeds, will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Approval from the Shareholders for the Proposed Spin-off is also required under PN15. Upon Listing, Kosmopolito will continue to be a subsidiary of the Company. In addition, the Kosmopolito Share Option Scheme will also be subject to the approval of the Shareholders under Chapter 17 of the Listing Rules.

## **EGM**

As no Shareholder has a material interest in the Proposed Spin-off different from other Shareholders, all Shareholders are entitled to vote on the ordinary resolutions to approve the Proposed Spin-off and the adoption of the Kosmopolito Share Option Scheme at the EGM.

A notice convening the EGM to be held on Friday, 17 September 2010 at 3:30 p.m. at 2/F, Cosmo Kowloon Hotel, 88 Tai Kok Tsui Road, Kowloon, Hong Kong is set out in the circular of the Company despatched to the Shareholders on 2 September 2010.

## **RECOMMENDATIONS**

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed adoption of the Kosmopolito Share Option Scheme is fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. An Independent Board Committee has been formed to advise the Shareholders in connection with the Proposed Spin-off. Access Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Shareholders on the same. Access Capital considers that the Proposed Spin-off is in the interest of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable as far as the Company and the Shareholders are concerned. Accordingly, Access Capital advises the Independent Board Committee to recommend, and Access Capital themselves recommend, the Shareholders to vote in favour of the resolution in relation to the Proposed Spin-off. The letter from Access Capital containing its advice in relation to the Proposed Spin-off, together with the factors and reasons it considered in arriving at its opinion, is set out in the circular of the Company despatched to the Shareholders on 2 September 2010.

The Independent Board Committee, having taken into account the advice of Access Capital, considers that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to approve the Proposed Spin-off as set out in the notice of EGM in the circular of the Company despatched to the Shareholders on 2 September 2010.

## **WPIP**

In connection with the Proposed Spin-off, it is expected that Kosmopolito will submit the WPIP to the Stock Exchange on or about 2 September 2010 for publication on the Stock Exchange's website. It is expected that the WPIP will be available for viewing and downloading from the Stock Exchange's website at <http://www.hkexnews.hk> on or about 3 September 2010. The WPIP contains, amongst others, certain business and financial information relating to Kosmopolito, the valuation of the properties of Kosmopolito as at 30 June 2010 and Kosmopolito's forecast profit for the six-months ending 30 September 2010. The WPIP is in draft form and the information contained in it is incomplete and is subject to change which can be material. The Company does not have any obligation or liability whatsoever in relation to the WPIP.

## 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.

Kosmopolito is a wholly-owned subsidiary of the Company. The Kosmopolito Group will, after the Proposed Spin-off be 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 and the Asia Pacific region.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, under the Global Offering, Kosmopolito Shares are expected to be offered to third parties independent of the Company save as the Qualifying Shareholders pursuant to the Preferential Offering.

**Shareholders and potential investors should note that the Proposed Spin-off and the Global Offering are subject to, among others, the final decision of the Board and the board of directors of Kosmopolito and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

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.

**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 as and when appropriate. Any decision to apply for Kosmopolito Shares under the Global Offering should be based solely on the information provided in the Prospectus.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Ample Bonus”	Ample Bonus Limited, a limited liability company incorporated in the British Virgin Islands on 3 May 2006 which is directly wholly-owned by the Company. As at the Latest Practicable Date, it is the sole shareholder of Kosmopolito
“Articles”	the articles of association of the Company as amended from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlements of Qualifying Shareholders to apply for such number of Reserved Shares under the Preferential Offering on the basis of 15 Reserved Shares for every whole multiple of 1,000 Shares (one board lot of Shares) held by each Qualifying Shareholder at 5:00 p.m. on the Record Date
“Board”	the board of directors of the Company
“boutique”	is a hotel concept. Normally characterised by a relatively small room count, very good location, are often conversions of existing buildings that lend character to the product and their modern and distinctive interior designs that is a manifest of the city it is located in and a strong differentiator from mainstream brands. The unique characteristics of a boutique hotel often are tailored to a specific customer type. A high level of personalised and attentive (quality) service drives performance level. Boutique hotels further differentiate themselves by providing a strong food and beverage offering that are highly popular with local residents and are known as the place to be and be seen. Usually only basic or very limited meeting facilities

“Capitalisation Issue”	the issue of Kosmopolito Shares to the sole shareholder of Kosmopolito or such persons it may direct subject to and simultaneous with the completion of the Global Offering by way of capitalisation of a loan of HK\$1,859,812,000 due from Kosmopolito to the Company, such new Kosmopolito Shares ranking pari passu in all respects with the then existing Kosmopolito Shares and further details of which will be set out in the Prospectus
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting to be held on Friday, 17 September 2010 by the Company for the purpose of, among other matters, approving the Proposed Spin-off and the adoption of the Kosmopolito Share Option Scheme
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”	the Company and its subsidiaries (including the Kosmopolito Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the new Kosmopolito Shares to be initially offered by Kosmopolito for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment)
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the Prospectus and the related application forms
“Independent Board Committee”	the independent board committee formed by the independent non-executive Directors to advise the Shareholders on the Proposed Spin-off

“Independent Financial Adviser” or “Access Capital”	Access Capital Limited, a corporation licensed to carry out business in 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 and is the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off
“International Offer Shares”	the new Kosmopolito Shares to be initially offered by Kosmopolito for subscription and the Kosmopolito Shares which may be offered by the Selling Shareholder under the International Offering, together, where relevant, with any additional Kosmopolito Shares issued or sold pursuant to any exercise of the Over-allotment Option, the number of which is further subject to adjustment and reallocation
“International Offering”	the conditional placing by the international underwriters of the International Offer Shares with institutional, professional and other investors as described in the Prospectus which includes the Preferential Offering
“Kosmopolito”	Kosmopolito Hotels International Limited 麗悅酒店集團有限公司, formerly known as Hong Kong Hotel REIT Holdings Limited and Dorsett International Group Limited, an exempted company incorporated in the Cayman Islands on 23 January 2007 with limited liability
“Kosmopolito Controlling Shareholders”	the Company and Ample Bonus
“Kosmopolito Group”	Kosmopolito and its subsidiaries
“Kosmopolito Share Option Scheme”	the share option scheme proposed to be adopted by Kosmopolito which will take effect subject to, among others things, the commencement of dealings in the Kosmopolito Shares on the Main Board of the Stock Exchange
“Kosmopolito Shares”	ordinary shares of HK\$0.10 each in the share capital of Kosmopolito
“Latest Practicable Date”	27 August 2010, being the latest practicable date prior to the printing of this announcement in relation to the Proposed Spin-off for the purpose of ascertaining certain information contained in this announcement of the Company in relation to the Proposed Spin-off

“Listing”	the listing of Kosmopolito Shares on the Main Board of the Stock Exchange
“Listing Approval”	the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Kosmopolito Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“mid scale”	is equivalent to a hotel ranging from a high mid 3-star hotel to 4-star in the PRC and Malaysia and a High Tariff B to mid Medium Tariff Hotel in Hong Kong and are full-service hotels and select-service hotels with a comparatively lower room rate and more efficient layout than upscale
“Offer Price”	the final offer price per Kosmopolito Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Kosmopolito Shares are to be issued pursuant to the Global Offering, as described in the Prospectus
“Over-allotment Option”	the option which is expected to be granted by the Selling Shareholder and/or Kosmopolito to the international underwriters under the International Offering under which the stabilising manager may require the Selling Shareholder to sell and/or Kosmopolito to allot and issue up to an aggregate of up to approximately 15% of the Kosmopolito Shares to be initially offered under the Global Offering
“Overseas Shareholders”	registered holders of the Shares whose addresses on the register of members of the Company are outside Hong Kong, the PRC, France, Macau and New Zealand as at 5:00 p.m. on the Record Date
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of the circular of the Company in relation to the Proposed Spin-off, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Preferential Offering”	the preferential offer to the Qualifying Shareholders of the Reserved Shares at the Offer Price, subject to and in accordance with the terms and conditions of the Prospectus and the BLUE application form
“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
“Prospectus”	the prospectus to be issued by Kosmopolito in relation to the Global Offering
“Qualifying Shareholder(s)”	Shareholder(s) of the Company whose names appear on the register of members of the Company as holding 1,000 or more Shares at 5:00 p.m. on the Record Date, other than the Overseas Shareholders, who shall be entitled to subscribe for the Kosmopolito Shares on a preferential basis to be determined under the Global Offering
“Record Date”	17 September 2010, being the record date for ascertaining the Qualifying Shareholders who shall be entitled to the Assured Entitlement and the Shareholders who shall be eligible to attend and vote at the EGM
“Registrar”	the Hong Kong branch share registrar of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Remaining Group”	the Group excluding the Kosmopolito Group
“Reserved Shares”	the Kosmopolito Shares available under the Global Offering being offered pursuant to the Preferential Offering, subject to re-allocation to the International Offering as described in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Selling Shareholder”	Ample Bonus
“Shares”	shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the stabilising manager appointed in connection with the Global Offering and Ample Bonus, pursuant to which Ample Bonus will agree to lend to the stabilising manager such number of Kosmopolito Shares which are the equivalent of up to approximately 15% of the Kosmopolito Shares subject to the Global Offering
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“upscale”	is equivalent to a high 4-star or low 5-star hotel in the PRC and Malaysia and a share of High Tariff A hotels in Hong Kong, normally associated with high-quality and are mostly full-service hotels with moderate to high room rates. More efficient layout, less comprehensive services and amenities and often inferior location compared to upper upscale and luxury hotels
“value”	is equivalent to a hotel ranging from a mid 2-star to a mid 3-star hotel in the PRC and Malaysia and a mid Medium Tariff Hotel or a Tourist Guesthouse in Hong Kong and normally only provide basic, sometimes shared amenities
“United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“WPIP”	the web proof information pack of Kosmopolito
“%”	per cent.

*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.*

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

Hong Kong, 2 September 2010