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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Far East Consortium International Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The information contained in this circular is subject to amendment and finalisation and approval of the Prospectus (as defined herein). In addition, unless otherwise stated, the historical financial information of the Kosmopolito Group (as defined herein) in this circular is unaudited and may differ from the audited financial information of the Kosmopolito Group which will be included in the Prospectus. Shareholders of, and prospective investors in, the securities of the Company should therefore exercise extreme caution in interpreting the information contained in this circular and when dealing in such securities.

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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 THE KOSMOPOLITO SHARE OPTION SCHEME**

Independent Financial Adviser to the Shareholders



A letter from Access Capital, the independent financial adviser to the Shareholders, containing its advice in relation to the Proposed Spin-off is set out on pages 43 to 72 of this circular.

A notice convening the EGM to be held at 2/F, Cosmo Kowloon Hotel, 88 Tai Kok Tsui Road, Kowloon, Hong Kong on Friday, 17 September 2010 at 3:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

2 September 2010

EXPECTED TIMETABLE

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.

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DEFINITIONS

In this circular, 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
“BLUE Application Form(s)”	the form of application for the Reserved Shares for use by Qualifying Shareholders under the Preferential Offering
“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

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “we” or “our”	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
“Deed of Non-Competition Undertaking”	deed of non-competition undertaking to be given by Tan Sri Dato’ David Chiu and the Company (for itself and as trustee of each member of the Remaining Group) in favour of the Kosmopolito Group
“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)
“High Tariff A”	hotels with a composite score between 3.00 and 3.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“High Tariff B”	hotels with a composite score between 2.00 and 2.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the second highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“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
“Hong Kong Tourism Board” or “HKTB”	a Government-subsidized body, which was founded on 1 April 2001 under the Hong Kong Tourism Board Ordinance (Chapter 302 of the Laws of Hong Kong). The primary responsibilities of the HKTB are to market and promote Hong Kong as a destination worldwide and to enhance the experiences of its visitors, including making recommendations to the Hong Kong Government and other relevant bodies on the range and quality of visitor facilities
“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 will 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

DEFINITIONS

“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 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 circular for the purpose of ascertaining certain information contained in this circular
“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)
“Mayland”	Malaysia Land Properties Sdn. Bhd., a limited liability company incorporated in Malaysia on 24 February 1995 which is controlled by one of the Company’s executive Directors, Tan Sri Dato’ David Chiu

DEFINITIONS

“Medium Tariff”	hotels with a composite score between 1.00 and 1.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the third highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“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 hotels
“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 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
“Permitted Mixed Development”	(i) the development of any hotel within Plaza Damas 3 and Cheras Central, both in Malaysia, as currently already being developed by one of Tan Sri Dato’ David Chiu’s associates, Mayland; and (ii) a mixed property development project (i.e. comprising both residential and commercial developments) where there is no hotel development as part of its development plans
“PN15”	Practice Note 15 of the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China excluding, for the purpose of this circular, 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
“Restricted Activity”	hotel investment, operation, management and development (save for any Permitted Mixed Development)
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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
“Tourist Guesthouse”*	hotels with a composite score of 0.99 or below according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the lowest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“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

* *The Company does not operate any Tourist Guesthouses. This is for your information only.*

DEFINITIONS

“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

“%” per cent.

In this circular, JPY is converted into HK\$ at a conversion price of JPY100 for HK\$9.126.

LETTER FROM THE BOARD



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

Board of Directors:

Executive Directors:

Mr. Deacon Te Ken Chiu
Tan Sri Dato' David Chiu
Mr. Dennis Chiu
Mr. Craig Grenfell Williams

Registered office:

Caledonian Bank & Trust Limited
P.O. Box 1043, Ground Floor
Caledonian House, Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Non-executive Director:

Madam Ching Lan Ju Chiu
Mr. Daniel Tat Jung Chiu

Principal Place of Business:

16/F., Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Independent Non-executive Directors:

Mr. Jian Yin Jiang
Mr. Kwok Wai Chan
Mr. Peter Man Kong Wong

2 September 2010

To the Shareholders

Dear Sir or Madam,

**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 THE KOSMOPOLITO SHARE OPTION SCHEME**

INTRODUCTION

The Board announced on 30 June 2010 that the Company had, on 28 April 2010, 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.

LETTER FROM THE BOARD

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.

The purposes of this circular are: (1) to provide Shareholders with information on the reasons for, and the benefits of, the Proposed Spin-off (together with such other information relating to the Proposed Spin-off as required by the Listing Rules for a major transaction of the Company) and the proposed adoption of the Kosmopolito Share Option Scheme by Kosmopolito; (2) to set out the recommendations of the Independent Board Committee to the Shareholders regarding the Proposed Spin-off; (3) to set out the letter of advice from Access Capital containing its recommendation to the Independent Board Committee and the Shareholders regarding the terms of the Proposed Spin-off and its recommendation to the Shareholders regarding voting on the Proposed Spin-off; and (4) to give notice to Shareholders of the EGM at which ordinary resolutions will be proposed to approve the Proposed Spin-off and transactions related thereto and adoption of the Kosmopolito Share Option Scheme.

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.

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.

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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. On 30 June 2010, Kosmopolito submitted a formal application to the Stock Exchange 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.

The Company is required to comply with the requirements under PN15. The Directors confirm that the Company will comply with all the requirements of the Listing Rules in respect of the Proposed Spin-off, subject to the Shareholders passing an ordinary resolution at the EGM to approve the Proposed Spin-off.

Subject to the approval of the listing of, and granting of the permission to deal in, Kosmopolito Shares on the Main Board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, Kosmopolito Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of listing of Kosmopolito Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholding effects of the Proposed Spin-off

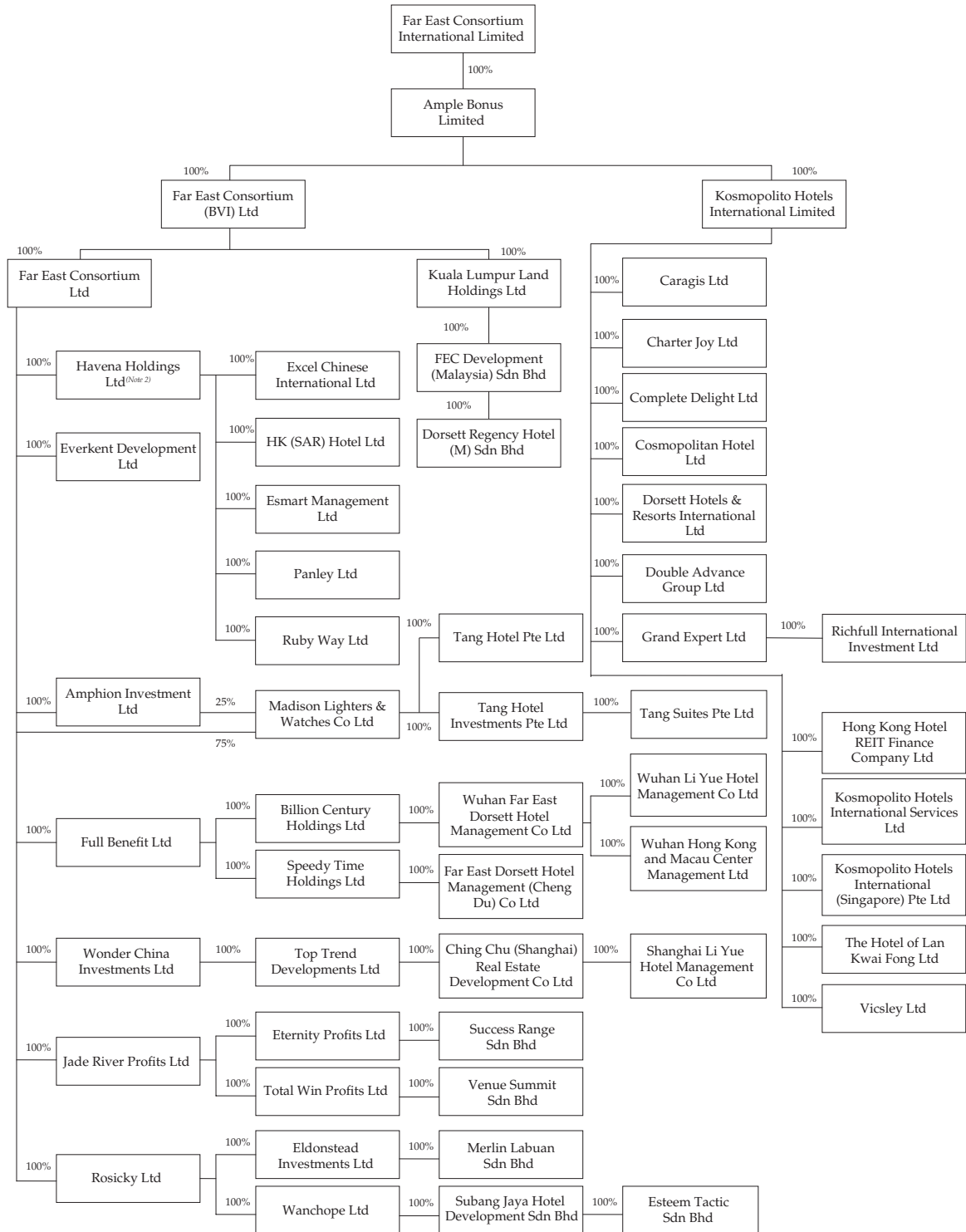
Shareholding structure of the Kosmopolito Group prior to the Proposed Spin-off

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

LETTER FROM THE BOARD

The following chart sets out the 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



LETTER FROM THE BOARD

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

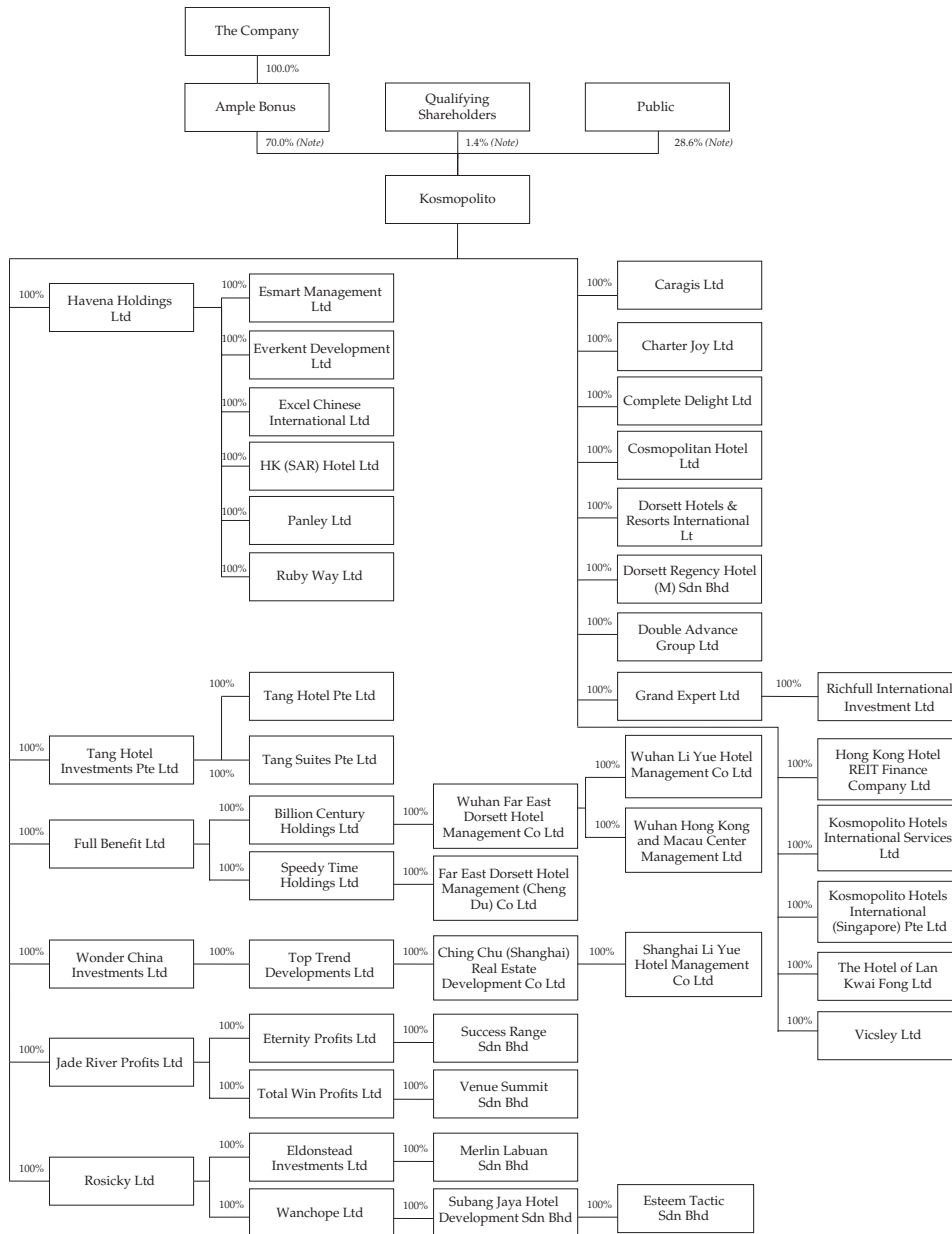
Members of the Group will undergo a reorganisation prior to the Proposed Spin-off. Upon the completion of the Proposed Spin-off where up to approximately 30.0% of the Kosmopolito Shares are expected to be offered pursuant to the Global Offering, taking no account of any Kosmopolito Shares which may be 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 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

LETTER FROM THE BOARD

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):

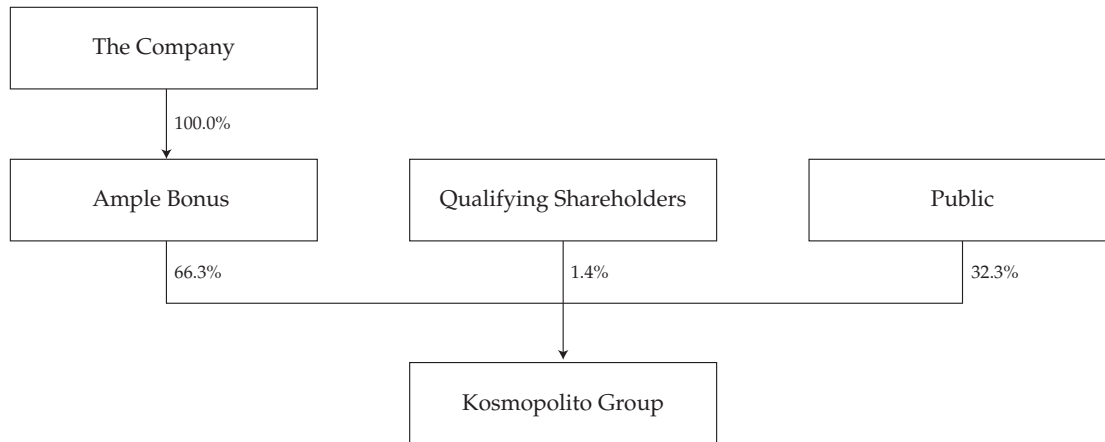
The corporate structure of the Kosmopolito Group immediately following the completion of the Proposed Spin-off



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.

LETTER FROM THE BOARD

The following chart sets out the 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.

Business overview of the Kosmopolito Group

The Kosmopolito Group is a fast-growing 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 Kosmopolito Group commenced operations in 1998 with one hotel consisting of 320 rooms and have since expanded its hotel room portfolio more than ten-fold. Immediately prior to the Global Offering, the Kosmopolito Group will own and operate a total of eight hotels in Hong Kong, five hotels in Malaysia and two hotels in China with a combined total of 3,889 rooms. The Kosmopolito Group will also have seven hotels in various stages of planning or development, including four in Hong Kong, two in China and one in Singapore, representing an additional 2,406 rooms, which the Kosmopolito Group expect will bring its total number of hotel rooms to 6,295 rooms by the end of 2013.

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The following table shows the hotels the Kosmopolito Group will own and operate or have under development upon Listing, and the third-party hotel the Kosmopolito Group are contracted to manage by commencement date or expected commencement date:

Hotel name	Location	Type	Total rooms/ expected number of rooms ¹	Commencement/ expected commencement ¹
Hong Kong				
<i>Owned and operated</i>				
Cosmopolitan Hotel	Wan Chai	mid-scale	454	January 2005
Central Park Hotel	Sheung Wan	boutique	142	April 2005
Dorsett Kowloon Hotel	Tai Kok Tsui	value	141	May 2005
Cosmo Hotel	Wan Chai	boutique	142	October 2005
Lan Kwai Fong Hotel @ Kau U Fong	Central	boutique	162	March 2006
Dorsett Far East Hotel	Tsuen Wan	value	240	October 2006
Dorsett Seaview Hotel	Yau Ma Tei	value	268	January 2007 ²
Cosmo Kowloon Hotel	Tai Kok Tsui	mid-scale	285	July 2010
<i>Owned and under development</i>				
The Mercer by Kosmopolito	Sheung Wan	boutique	55	April 2011
Dorsett Regency Kennedy Town, Hong Kong	Kennedy Town	mid-scale	217	April 2011
Dorsett Regency Kwun Tong, Hong Kong	Kwun Tong	mid-scale	380	December 2011
Dorsett Regency Kwai Chung, Hong Kong	Kwai Chung	mid-scale	506	June 2012
Hong Kong total			<u>2,992</u>	

Notes:

- ¹ Expected number of rooms and expected commencement dates after the Latest Practicable Date represent management's expectations which may change as each of the projects progresses.
- ² Dorsett Seaview Hotel commenced operations in 1994 but the Company acquired the property as a distressed asset by acquiring the debt of a previous owner in 2000 and subsequently converting the Company's interest in debt to equity in January 2007.

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Hotel name	Location	Type	Total rooms/ expected number of rooms ¹	Commencement/ expected commencement ¹
China				
<i>Owned and operated</i>				
Wuhan Cosmopolitan Hotel	Wuhan	mid-scale	384 ²	June 2008 ³
Yue Shanghai Hotel	Shanghai	boutique	264	February 2010
<i>Owned and under development</i>				
Hotel Kosmopolito City Centre, Chengdu	Chengdu	upscale	547	June 2011
Dorsett Regency CBD, Zhongshan ⁴	Zhongshan	mid-scale	416	September 2011
<i>To be managed by the Kosmopolito Group</i>				
Hotel Kosmopolito Huangshi ⁵	Huangshi	upscale	400	2013
China total			2,011	
Malaysia				
<i>Owned and operated</i>				
Dorsett Regency Hotel Kuala Lumpur	Kuala Lumpur	mid-scale	320	April 1998
Grand Dorsett Subang Hotel	Subang	upscale	478 ⁶	February 2007 ⁷
Grand Dorsett Labuan Hotel	Labuan	upscale	178	September 2007 ⁸
Maytower Hotel	Kuala Lumpur	mid-scale	179	October 2008
Dorsett Johor Hotel	Johor	value	252	October 2008
Singapore				
<i>Owned and under development</i>				
Dorsett Regency "On New Bridge", Singapore	Singapore	mid-scale	285	June 2013
South East Asia total			1,692	

Notes:

- ¹ Expected number of rooms and expected commencement dates after the Latest Practicable Date represent management's expectations which may change as each of the project progresses.
- ² Wuhan Cosmopolitan Hotel is currently under renovation. Room numbers specified are estimates following completion of all renovations.
- ³ Wuhan Cosmopolitan Hotel was acquired by us in 2007. It was then closed for renovation and re-commenced its operations in June 2008.
- ⁴ As at the Latest Practicable Date, we were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.
- ⁵ As at the Latest Practicable Date, a letter of intent has been signed by Kosmopolito and an independent third-party for Kosmopolito Group to operate this hotel.
- ⁶ Grand Dorsett Subang Hotel is currently under renovation. Room numbers specified are estimates following completion of all renovations.
- ⁷ Grand Dorsett Subang Hotel was acquired by us in February 2007 but commenced operations under the management of a previous owner.
- ⁸ Grand Dorsett Labuan Hotel was acquired by us in September 2007 but commenced operations under the management of a previous owner.

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Remaining Group and the Kosmopolito Group after the Spin-off

(1) Delineation of businesses

Prior to the Proposed Spin-off, the Group is principally engaged in (i) property development and investment (including hotel development and redevelopment); (ii) hotel investment, operation, management and development; and (iii) car park investment and management. After the Proposed Spin-off, there will be a clear delineation of business between the Remaining Group and the Kosmopolito Group:

- (i) the Remaining Group will focus on property development and investment, and car park investment and management. The Remaining Group will not engage in the Restricted Activity as described below. If there is a mixed development project (i.e. comprising both residential and commercial development) with a hotel portion, the Kosmopolito Group will develop or redevelop, as the case may be, the hotel portion and the Kosmopolito Group will undertake the hotel investment, operation, management and development. The Remaining Group will be permitted to undertake mixed development projects (i.e. comprising both residential and commercial development) where there is no hotel development. If there is a change in use so that part of a mixed development project includes a hotel, the Group could develop the hotel but the Kosmopolito Group will be given a right of first refusal to manage the hotel on terms no less favourable than that offered to third parties. The Group shall not operate and manage hotels itself; and
- (ii) the Kosmopolito Group will focus on hotel investment, operation, management and development (the "Restricted Activity").

In addition, for so long as Tan Sri Dato' David Chiu (one of our executive Directors) and his associates, directly or indirectly, whether individually or taken together, remain as Kosmopolito Controlling Shareholders, he will not and procure that his associates will not, engage in any Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore other than:-

- (i) Japan, where Tan Sri Dato' David Chiu has interests in a listed company in Japan, namely Tokai Kanko Co., Ltd. The Kosmopolito Group has no current intention to develop its hotel business in Japan or outside the Asia Pacific region. In addition, Tokai Kanko Co., Ltd. currently operates Japanese style hotels, memorial parks (i.e. cemetery) in Japan and Malaysia and engages in leasing of domestic real estate development in Japan. This combination of businesses is not in line with Kosmopolito Group's focus on hotels only; and
- (ii) Permitted Mixed Developments. In this respect, ongoing development by one of his associates, Mayland in Malaysia, namely Plaza Damas 3 and Cheras Central, will not be transferred into the Kosmopolito Group and mixed development projects (i.e. comprising both residential and commercial development) where there is no hotel development. If there is a change in use so that part of a mixed development project includes a hotel, Tan Sri Dato'

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David Chiu and his associates could develop the hotel but the Kosmopolito Group will be given a right of first refusal to manage the hotel on terms no less favourable than that offered to third parties. Tan Sri Dato' David Chiu and his associates shall not operate and manage hotels themselves.

Details of the hotel components of Plaza Damas 3 and Cheras Central are set out as follows:

Name of Development	Location	Rooms	Hotel portion GFA (sq. ft.)	Percentage of total GFA of development	Percentage of total GFA of Kosmopolito in Malaysia
Plaza Damas 3	Sri Hartamas, Kuala Lumpur	857 units, 27 storey hotel-cum-service apartments	approximately 120,000	approximately 9%	approximately 5.6%
Cheras Central	Cheras, Kuala Lumpur	still in planning stage	approximately 162,200	approximately 15%	approximately 7.6%

We have been informed that it is not practicable to carve out the sites proposed for the hotel development in Plaza Damas 3 and Cheras Central until completion of the development or project. As advised by Kosmopolito's Malaysian legal advisers, the normal practice in Malaysia is that an application for subdivision of the initial title, called the Master Title, is usually done midway through the project but the issue of the subdivided title would only take place after the completion of the development or project as it is only then that a final survey will be done by the surveyors to determine the final built up areas or common areas. We have been informed that the relevant hotels, which are expected to be completed in about three years time, may be 4 or 5 star hotels but no formal decision has been made at this time.

Kosmopolito's Maytower Hotel and Dorsett Regency Hotel Kuala Lumpur are located within walking distance to Kuala Lumpur's city centre, whereas Plaza Damas 3 and Cheras Central are located more than 5 km from Kuala Lumpur's city centre. As a result, we believe that Kosmopolito's hotels in Kuala Lumpur will cater more towards business travelers, due to their proximity to downtown Kuala Lumpur, as compared to Plaza Damas 3 and Cheras Central.

In the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore, Tan Sri Dato' David Chiu and his associates are restricted, directly or indirectly, from engaging or having any interest in any hotel investment, operation, management and development (excluding a Permitted Mixed Development). As such, as a general position Tan Sri Dato' David Chiu is prevented from having any interest in a hotel management entity other than through the Kosmopolito Group.

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In the event that there is a Permitted Mixed Development, the first right of refusal to manage any hotel component would be offered to the Kosmopolito Group. If Kosmopolito, after due consideration, determines that the proposed terms of the hotel management contract are not in the best interests of Kosmopolito and its shareholders, then Tan Sri Dato' David Chiu would be permitted to offer the hotel management rights to another party on terms no more favorable than those offered to Kosmopolito Group. Even if no other party were to express any interest in those management rights, Tan Sri Dato' David Chiu would, under the terms of the Deed of Non-Competition Undertaking, not be permitted to manage the hotel himself or through his associates.

If Tan Sri Dato' David Chiu or Kosmopolito Controlling Shareholders (or the relevant associates) decide to sell a completed hotel in a Permitted Mixed Development, any member of Kosmopolito Group shall be granted a right of first refusal to purchase such hotel on terms no less favourable than those offered to third parties.

Further details of the terms of non-competition undertaken by the Company (for and on behalf of itself and the Remaining Group for the purpose of the Company's undertaking) and Tan Sri Dato' David Chiu and details of competing and potentially competing interests of Tan Sri Dato' David Chiu in Japan and through Mayland are set out in the section headed "Directors' Interests" in Appendix IV of this circular and will be disclosed in the Prospectus.

(2) Details of the non-competition undertaking by the Company and Tan Sri Dato' David Chiu

(a) Details of the Company's undertakings

Under the Deed of Non-Competition Undertaking, the Company (for and on behalf of itself and the Remaining Group for the purpose of the Company's undertaking) will undertake and covenant with Kosmopolito (for itself and on behalf of the Kosmopolito Group) that for so long as the Remaining Group and/or their respective associates, directly or indirectly, whether individually or taken together, remain the controlling shareholders of Kosmopolito, each of them will not, and will procure his associates not to:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity;
- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Kosmopolito Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's and the Company's knowledge, as at the date of the Deed of Non-Competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-Competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Kosmopolito Group; and

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- (iii) exploit its knowledge or information obtained from the Kosmopolito Group to compete, directly or indirectly, with the Restricted Activity.

The Company will undertake in the Deed of Non-Competition Undertaking, amongst other things, (i) to provide all information necessary for Kosmopolito (including the independent non-executive directors of Kosmopolito and the Kosmopolito Group's reporting accountants), to monitor and review such potential conflicts of interest in respect of any property development which may be a Restricted Activity or Permitted Mixed Development including the right of first refusal and any referral of business opportunity in relation to the Permitted Mixed Development; and (ii) to make an annual declaration on compliance with the Deed of Non-Competition Undertaking in Kosmopolito's annual report, until the date on which the Company ceases to beneficially own and/or control 30% or more of the issued share capital of Kosmopolito.

(b) Details of Tan Sri Dato' David Chiu's undertakings

Under the Deed of Non-Competition Undertaking, one of the Company's executive Directors, Tan Sri Dato' David Chiu, will undertake and covenant with Kosmopolito that for so long as Tan Sri Dato' David Chiu and/or his respective associates directly or indirectly, whether individually or taken together, remain as Kosmopolito Controlling Shareholders, he shall not, and shall procure to the extent it is within his power or control to procure, that his associates shall not:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan;
- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Kosmopolito Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's and the Company's knowledge, as at the date of the Deed of Non-competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-Competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Kosmopolito Group; and
- (iii) exploit his knowledge or information obtained from the Kosmopolito Group to compete, directly or indirectly, with the Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan.

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For the avoidance of doubt, where the interests of the Company or Tan Sri Dato' David Chiu and their respective associates in any entity is 50% or less or in a listed company where Tan Sri Dato' David Chiu is required to abstain from voting pursuant to the listing rules of that jurisdiction, his procurement obligation is to exercise such voting power which he has and where he is able to do so subject to applicable laws, rules and regulations, and procure his associates to exercise such voting power as they may have and which they are able to do so, in order to effect the terms of the Deed of Non-Competition Undertaking.

As the Kosmopolito Group has no current intention to develop its hotel business in Japan or outside the Asia Pacific region because after initial assessment, Japan presents a different operating environment and it may be costly for the Kosmopolito Group to expand into Japan, and given Tan Sri Dato' David Chiu's interests in two Japanese-style hotels in Japan through his shareholding interests in Tokai Kanko Co., Ltd., Tan Sri Dato' David Chiu's undertaking only covers the Restricted Activity in the Asia Pacific region (excluding Japan) instead of a wider scope.

Further details of Tokai Kanko Co., Ltd. is set out in the section headed "Directors Interests" in Appendix IV of this circular and will be disclosed in the Prospectus.

(c) Further details of the non-competition undertaking

The above undertakings by both the Company and Tan Sri Dato' David Chiu are conditional upon the Listing and:

- (i) any interests in the shares of any member of the Kosmopolito Group are permitted;
- (ii) the hotel development business in cases where there is Permitted Mixed Development and any member of the Kosmopolito Group has been first offered to manage the hotel upon completion on terms no less favourable than those offered to third parties or discussed such opportunities with the Kosmopolito Group, are permitted;
- (iii) provided that where Tan Sri Dato' David Chiu or Kosmopolito's controlling shareholders (or the relevant associates) decide to sell a completed hotel contemplated by paragraph (ii) above, any member of the Kosmopolito Group shall be granted a right of first refusal to purchase such hotel on terms no less favourable than those offered to third parties;
- (iv) where the Kosmopolito Group wishes to develop a mixed development project which includes, other than a hotel, a residential portion and decides to appoint an independent third party developer for any residential portion, the Kosmopolito Group will accord similar rights of first refusal to the Remaining Group to develop a residential portion, if any, on terms no less favourable than those offered to third parties; and

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- (v) Tan Sri Dato' David Chiu or Kosmopolito's controlling shareholders and their respective associates may hold shares or other securities of a listed company engaged in the Restricted Activity where Kosmopolito's relevant controlling shareholder (and their respective associates) individually or collectively held less than 10% of the issued share capital of such listed company, and provided that Tan Sri Dato' David Chiu and Kosmopolito's relevant controlling shareholders (and their respective associates), whether acting singly or jointly, are not entitled to appoint a majority of the directors of such listed company and that at all times there is a holder of such shareholding (together, where appropriate, with his/its respective associates) a larger percentage of the shares in such listed company than Tan Sri Dato' David Chiu, Kosmopolito's relevant controlling shareholder and his/its respective associates collectively hold.

Such undertakings will lapse or terminate in respect to any covenantor upon the earlier of (i) Tan Sri Dato' David Chiu, the Company or Ample Bonus, as the case may be, ceasing to beneficially own and/or control 30% or more of the voting rights at a general meeting of Kosmopolito, or (ii) the Kosmopolito Shares are no longer listed on the Main Board of the Stock Exchange.

(3) Resolution of conflict of interests

To resolve any potential conflict of interests between the Remaining Group and the Kosmopolito Group, the following procedures will be adopted:

- (i) the Company will (for itself and on behalf of the Remaining Group) enter into a Deed of Non-competition Undertaking in favour of Kosmopolito (for itself and on behalf of the Kosmopolito Group) pursuant to which the Remaining Group will undertake, subject to the terms thereof, not to engage in the Restricted Activity. Further details are discussed in the section headed "Details of the non-competition undertaking by the Company and Tan Sri Dato' David Chiu" above;
- (ii) the Remaining Group will maintain a sufficient level of independence of directorship and management from the Kosmopolito Group. Further details are discussed in the section headed "Independence of directorship and management of the Group and the Kosmopolito Group" below. The Remaining Group will operate independently and in the interests of the Company and its shareholders as a whole. The majority of the directors of the Remaining Group will have no role in, and be independent of, the Kosmopolito Group. Directors who are also directors of the Kosmopolito Group will not participate in the daily operations and/or management of the Kosmopolito Group after the Proposed Spin-off, and will abstain from voting on any relevant board resolution of Kosmopolito in which he and/or the Company has a material interest;
- (iii) the Remaining Group does not have a team of full-time senior management and employees who are involved in the day to day operations of Kosmopolito Group. None of the executive directors of Kosmopolito are directors of the Company;

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- (iv) upon Listing, the Remaining Group will have its own independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing; and
- (v) connected transactions and continuing connected transactions, if any, between the Remaining Group and the Kosmopolito Group shall be transacted in compliance with the Listing Rules.

Independence of directorship and management of the Group and the Kosmopolito Group

Following the completion of the Listing, the Company and Kosmopolito will have boards of directors that will function independently of each other. The exact structure of the directorship and management of both the Company and Kosmopolito will be finalised prior to the issue of the Prospectus but it is proposed that there will be 11 Kosmopolito directors (including four executive directors, four non-executive directors and three independent non-executive directors), the details of which are as set out below:

- (i) The Board before and immediately after the Proposed Spin-off will remain unchanged as follows:

Name of directors	Position
CHIU Te Ken Deacon	Executive Director
CHIU David	Executive Director
CHIU Dennis	Executive Director
WILLIAMS Craig Grenfell	Executive Director
CHIU Ching Lan Ju	Non-executive Director
CHIU Tat Jung Daniel	Non-executive Director
JIANG Jian Yin	Independent Non-Executive Director
CHAN Kwok Wai	Independent Non-Executive Director
WONG Man Kong Peter	Independent Non-Executive Director

- (ii) The board of directors of Kosmopolito before the Proposed Spin-off and as at the Latest Practicable Date and immediately after completion of the Listing is proposed to be as follows:

Before the Proposed Spin-off and as at the Latest Practicable Date

Name of directors	Position
MOK Kwai Pui Bill	Executive Director
CHU Chee Seng	Executive Director
LAI Wai Keung	Executive Director
CHIU Wing Kwan Winnie	Executive Director
CHIU David	Non-executive Director
IP Hoi Wah Edmond	Non-executive Director
HOONG Cheong Thard	Non-executive Director
CHAN Chi Hing	Non-executive Director

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Immediately after completion of the Listing

Name of directors	Position
MOK Kwai Pui Bill	Executive Director
CHU Chee Seng	Executive Director
LAI Wai Keung	Executive Director
CHIU Wing Kwan Winnie	Executive Director
CHIU David	Non-executive Director
IP Hoi Wah Edmond	Non-executive Director
HOONG Cheong Thard	Non-executive Director
CHAN Chi Hing	Non-executive Director
SHEK Lai Him Abraham	Independent Non-Executive Director
TO Peter	Independent Non-Executive Director
LIU Ngai Wing	Independent Non-Executive Director

The final composition of the board of directors of Kosmopolito will be set out in the Prospectus.

The Remaining Group will maintain a sufficient level of independence of directorship and management from the Kosmopolito Group and does not have full-time senior management and employees who are involved in the day to day operations of the Kosmopolito Group.

Of the nine Directors, only Tan Sri Dato' David Chiu will be a non-executive director of Kosmopolito. Mr. Hoong Cheong Thard, the Company's Managing Director and Mr. Chan Chi Hing, the Company's Chief Operating Officer are proposed to be non-executive directors of Kosmopolito. Each of such non-executive directors of Kosmopolito will not be participating in the day to day management of the Kosmopolito Group after Listing and their roles in the Remaining Group will not change after Listing. Each of such non-executive directors of Kosmopolito shall abstain from voting pursuant to the provisions of the Articles on any relevant board resolution of the Company in which he has a conflict of interest.

Although they are non-executive directors of Kosmopolito who are not involved in the day-to-day activities of the Kosmopolito Group, the board of Kosmopolito may from time to time leverage on Tan Sri Dato' David Chiu and Mr. Chan Chi Hing's extensive expertise in the hotel management, operations and development business, as well as Tan Sri Dato' David Chiu and Mr. Hoong Cheong Thard's capital markets and hotel experience. The Board has no reason to be concerned and it believes that the Directors who are also non-executive directors of Kosmopolito can and will continue to discharge their fiduciary duties as directors or officers of the Company.

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Mr. Mok Kwai Pui Bill (“Mr. Mok”) is currently the chief financial officer of the Group. It is proposed that Mr. Mok will relinquish his position as chief financial officer of the Group prior to completion of the Listing but will continue to remain as the company secretary of the Company until a suitable replacement is found. During such period of time, Mr. Mok will be the company secretary for both the Company and Kosmopolito. The Company intends to announce the details of the new chief financial officer on or about 30 September 2010.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	633,635	681,905	616,253
Gross profit	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
Total assets	3,852,279	5,288,860	6,340,759
Total liabilities	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%

The enterprise value of the Kosmopolito Group is approximately HK\$6,835.9 million as at 31 March 2010 based on net debt balance of approximately HK\$3,435.0 million and assumed minimum equity value of HK\$3,400.9 million.

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Adjusted EBITDA

The following table sets forth the reconciliation of adjusted EBITDA to profit for the respective year for the Kosmopolito Group. Adjusted EBITDA for the Kosmopolito Group is profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which will be discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items. Adjusted EBITDA is used by management as the primary measure of operating performance of Kosmopolito Group's properties and to compare the operating performance of Kosmopolito Group's properties with those of its competitors. However, adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit or as an indicator of the operating performance under Hong Kong Financial Reporting Standards and other combined operations or cashflow data or as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this circular may not be comparable to other similarly titled measures of other companies.

	Year ended 31 March (unaudited)		
	2008	2009	2010
	<i>HK\$'000</i>		
Profit for the year	226,476	86,677	45,813
Income tax expense	<u>30,415</u>	<u>11,948</u>	<u>9,806</u>
Profit before taxation	<u>256,891</u>	<u>98,625</u>	<u>55,619</u>
Interest income ⁽¹⁾	(2,612)	(2,258)	(2,467)
Finance costs	56,185	90,225	76,612
Depreciation and amortisation	<u>56,290</u>	<u>65,027</u>	<u>68,325</u>
EBITDA	<u>366,754</u>	<u>251,619</u>	<u>198,089</u>
Pre-opening expenses ⁽²⁾	1,432	1,876	6,517
Management fee ⁽³⁾	37,594	34,859	30,408
Change in fair value of investment properties	(21,807)	6,304	(3,486)
Change in fair value of derivative financial instruments	–	11,694	6,577
Other non-recurring items ⁽⁴⁾	<u>(66,140)</u>	<u>7,200</u>	<u>–</u>
Adjusted EBITDA	<u><u>317,833</u></u>	<u><u>313,552</u></u>	<u><u>238,105</u></u>

(1) Interest income includes interest income from ultimate holding company and bank interest income.

(2) Pre-opening expenses consist of staff costs and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.

(3) Management fee reflects management fees paid to Sheraton Overseas Management Corporation and the Company which have ceased on 30 September 2009 and 1 April 2010, respectively.

(4) Other non-recurring items consist of discount on acquisition of a subsidiary and allowance for bad and doubtful debts in amount due from a jointly controlled entity of a fellow subsidiary.

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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 which 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 which may be granted under the Kosmopolito Share Option Scheme are not exercised, the minimum market capitalization of Kosmopolito at Listing is expected to be approximately HK\$3,980 million. Taking into account of 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 which 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 on or before 31 October 2010 and on the basis of the minimum proposed offer size and structure of the Global Offering, such net gain will be

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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.

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);

LETTER FROM THE BOARD

- (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.

Intended use of proceeds

Set out below is, for illustration purposes only, the minimum amount of expected net proceeds 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
Less:	
Expected transaction costs to be incurred for the Proposed Spin-off	(60)
Minimum amount of expected net proceeds from the Proposed Spin-off	<u><u>1,002</u></u>

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

Underwriting Agreement, Stock Borrowing Agreement and Indemnities

In connection with the Proposed Spin-off, the Company will enter into underwriting agreements relating to the Global Offering with Kosmopolito, the underwriters and the joint global coordinators of the Global Offering. In addition, our wholly-owned subsidiary and sole shareholder of Kosmopolito, Ample Bonus, will enter into a Stock Borrowing Agreement with the stabilising manager of the Global Offering. The Company will also provide certain indemnities to the Kosmopolito Group in relation to certain tax liabilities of the Kosmopolito Group which shall, subject to certain exemptions, including but not limited to the following:

- (i) any liability of Kosmopolito Group to any form of taxation (including without limitation to withholding and such other taxes pursuant to GuoShuiHan No. 698), duties, rates, deduction, withholdings, levies, fees, charges, social security contribution or other impositions (including those of a provisional nature) whenever created or imposed and whether of Hong Kong, the PRC, Singapore, Malaysia or of any part of the world and, whatsoever and without prejudice to the generality of the foregoing, includes any tax computed on profits or income, any tax computed on capital assets, profits tax, provisional profits tax, interest tax, salaries tax, property tax, value added tax and land appreciation tax, taxes on income, inheritance tax, gift duty, transfer tax, estate duty, death duty, capital duty, stamp duty, payroll tax, employment tax, withholding tax, rates, customs and excise duties and generally other liabilities payable by the Group companies to the revenue or fiscal authorities in Hong Kong, the PRC, Singapore, Malaysia or any part of the world;
- (ii) any historical non-payment of housing funds in the PRC by Kosmopolito's subsidiaries in PRC (including but not limited to that of Wuhan Far East Dorsett Hotel Management Co., Ltd., Wuhan Hong Kong and Macau Centre Property Management Co., Ltd. and Wuhan Li Yue Management Co., Ltd.) for their respective employees;
- (iii) the lack of title certificates held by Ching Chu (Shanghai) Real Estate Development Co., Ltd. in respect of its Dorsett Regency CBD, Zhongshan hotel in the PRC;
- (iv) historical regulatory breaches by the Kosmopolito Group including that of the land grant terms by Caragis Limited and Vicsley Limited in respect of Central Park Hotel and The Hotel of Lan Kwai Fong Limited in respect of Lan Kwai Fong Hotel @ Kau U Fong; and
- (v) the failure to transfer, in due course, the relevant land title on which Maytower Hotel and Dorsett Johor Hotel are respectively erected.

Further details of the underwriting agreements, Stock Borrowing Agreement and the indemnities will be set out in the Prospectus.

LETTER FROM THE BOARD

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 the Company are outside Hong Kong 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.

LETTER FROM THE BOARD

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.

A **BLUE** Application Form together with an electronic copy of the Prospectus recorded on CD-ROM will be despatched to each Qualifying Shareholder whereas a copy of the Prospectus will be despatched to each Overseas Shareholders for information only. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is equal to or less than their Assured Entitlements under the Preferential Offering. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the Prospectus and the **BLUE** Application Form. If an application is made for a number of Reserved Shares which is greater than the Assured Entitlement of a Qualifying Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all their Assured Entitlement. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than the Assured Entitlement, the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out in the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies may be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

Qualifying Shareholders may be entitled, in addition to applying for Reserved Shares, to make one application for the Hong Kong Offer Shares under the Global Offering.

Shareholders should note that Assured Entitlement to Reserved Shares may represent Kosmopolito Shares which are not in a multiple of a full board lot of 1,000 Kosmopolito Shares, and that dealings in odd lots of the Kosmopolito Shares may be at a price below their prevailing market price.

Assured Entitlements of Qualifying Shareholders will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any Assured Entitlement not taken up by Qualifying Shareholders will be allocated first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis and thereafter, to the International Offering.

LETTER FROM THE BOARD

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010 (both dates inclusive) (or such other date(s) as the Board may determine and announce) for the purpose of determining the entitlement of Qualifying Shareholders to the Preferential Offering and the eligibility of Shareholders to attend and vote at the EGM. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offering and be eligible for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by no later than 4:30 p.m. on Tuesday, 14 September 2010 (or such later date as the Board may determine and announce) and all documents for exercise of any conversion rights attaching to the outstanding convertible bonds and/or exercise of share options under the share option scheme of the Company duly accompanied by the relevant convertible bond certificates and/or exercise notices must be lodged with the Company by no later than 4:30 p.m. on Tuesday, 14 September 2010 (or such later date as the Board may determine and announce). The last day for dealing in the Shares cum-entitlements to the Preferential Offering is expected to be on Friday, 10 September 2010.

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 Kosmopolito to grant options to selected participants as incentives or rewards for their contribution to the Kosmopolito Group. It will thus enable Kosmopolito 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.

The Kosmopolito Share Option Scheme constitutes share option scheme governed by Chapter 17 of the Listing Rules. As the directors of Kosmopolito are entitled to determine any performance targets and minimum holding period which apply to an option on a case by case basis, and fix the subscription price, it is expected that grantees of an option will have an incentive to contribute to the development of the Kosmopolito Group.

Pursuant to Note (1) of Rule 17.03(3) of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes must not in aggregate exceed 10% ("**General Scheme Limit**") of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme.

Taking into consideration the fact that (i) the Kosmopolito Share Option Scheme shall not become effective until (and unless there is) the Listing and the Kosmopolito Share Option Scheme will lapse if Listing does not take place; (ii) the significant difference of the number of issued shares of Kosmopolito as at the date of EGM and that upon the Listing date, it is impracticable to set the General Scheme Limit of the Kosmopolito Share Option Scheme as at the date of EGM. The Company has therefore applied for and the Stock Exchange has granted a waiver from strict compliance with the requirement under

LETTER FROM THE BOARD

Note (1) to Rule 17.03(3) of the Listing Rules that the General Scheme Limit be based on the total number of Kosmopolito Shares in issue at the time when dealings in the Kosmopolito Shares first commence on the Stock Exchange.

A summary of the principal terms of the Kosmopolito Share Option Scheme is set out in Appendix III to this circular. 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.

The Directors consider it inappropriate to disclose the value of options which may be granted under the Kosmopolito Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no Kosmopolito options have been granted as at the Latest Practicable Date, certain variables are not available for calculating the value of the Kosmopolito options. The Directors and the directors of Kosmopolito believe that any calculation of the value of the Kosmopolito options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

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 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.

LETTER FROM THE BOARD

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 on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM will be taken by poll. After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

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 on pages 43 to 72 of this circular.

LETTER FROM THE BOARD

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 on pages EGM-1 to EGM-3 of this circular.

The Board has been informed by Mr. Deacon Te Ken Chiu and Tan Sri Dato' David Chiu that they and companies controlled by them will vote in favour of the Proposed Spin-off and the Kosmopolito Share Option Scheme at the EGM.

GENERAL

Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited and The Royal Bank of Scotland N.V., Hong Kong Branch (in alphabetical order) have been appointed as the joint bookrunners, joint lead managers, joint global coordinators and joint sponsors of the Global Offering. The Board expects that the Prospectus containing, among other matters, details of the Preferential Offering (including the basis of allocation) will be despatched to Qualifying Shareholders in due course.

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.

In connection with the Global Offering, the price of Kosmopolito Shares may be stabilised in accordance with the Securities and Futures (Price Stabilising) 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained therein shall form the basis of any contract or commitment whatsoever.

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

Yours faithfully,
For and on behalf of
Far East Consortium International Limited
Mok Kwai Pui Bill
Chief Financial Officer and Company Secretary



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

2 September 2010

To the Shareholders

Dear Sir or Madam,

**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 THE KOSMOPOLITO SHARE OPTION SCHEME**

We refer to the circular issued by the Company to its Shareholders and dated 2 September 2010 ("Circular") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Proposed Spin-off constitutes a major transaction and 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.

We have been appointed by the Board to consider the terms of the Proposed Spin-off and to advise the Shareholders as to whether, in our opinion, the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Access Capital has been appointed as the independent financial adviser to advise us and the Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Access Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Access Capital as set out in its letter of advice, we consider that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Shareholders to vote in favour of the ordinary resolution to approve the Proposed Spin-off at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Jian Yin Jiang, Mr. Kwok Wai Chan and Mr. Peter Man Kong Wong
Independent Non-executive Directors

LETTER FROM ACCESS CAPITAL

Set out below is the full text of the letter of advice from Access Capital Limited to the Independent Board Committee and the Shareholders prepared for inclusion in this Circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

2 September 2010

*To the Independent Board Committee and the Shareholders of
Far East Consortium International Limited*

Dear Sirs,

**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**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 2 September 2010 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As set out in the Letter from the Board, the Board announced on 30 June 2010 that the Company had, on 28 April 2010, submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off of Kosmopolito and the PN15 submission was approved by the Stock Exchange on 23 June 2010.

The Company also announced on 30 June 2010 that 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.

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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% down to a minimum of approximately 70.0% immediately following implementation of the Proposed Spin-off, and will be further reduced to 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.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of nine Directors, namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Dennis Chiu and Mr. Craig Grenfell Williams as executive Directors; Madam Ching Lan Ju Chiu and Mr. Daniel Tat Jung Chiu as non-executive Directors; and Mr. Jian Yin Jiang, Mr. Kwok Wai Chan and Mr. Peter Man Kong Wong as independent non-executive Directors.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Shareholders in respect of the Proposed Spin-off. As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to make a recommendation to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

III. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or its management staff (the "Management") and/or the Directors. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Group and/or the Management and/or the Directors and for which it is/they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date hereof. We have no reason to believe that any information or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We

consider that we have reviewed sufficient information to enable us to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any form of in-depth investigation into the business and affairs of the Company and its subsidiaries or the prospects of the markets in which they operate.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED SPIN-OFF

In formulating our opinion regarding the Proposed Spin-off, we have taken into consideration the following principal factors and reasons:

1. Structure of the Proposed Spin-off

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. As at the Latest Practicable Date, it is expected that the structure and the terms of the Proposed Spin-off and the Global Offering will be as follows:

A. The Proposed Spin-off and the Global Offering

As set out in the Letter from the Board, 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.

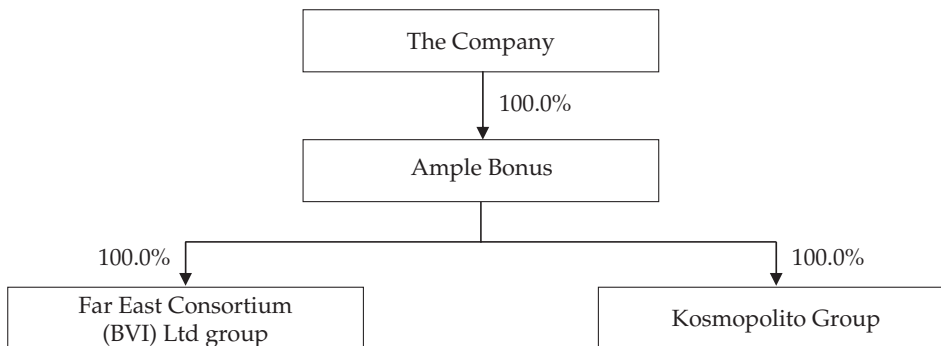
Out of the Kosmopolito Shares to be made available for subscription under the International Offering, a portion of such Kosmopolito Shares will be made available to Qualifying Shareholders for subscription under the Preferential Offering. It is also expected that the Over-allotment Option will be granted 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 up to 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.

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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 25.0% 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.

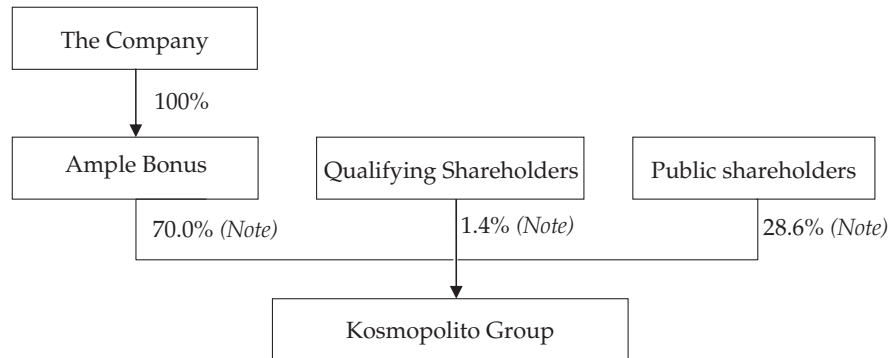
The following charts set forth the shareholding structures of the Kosmopolito Group (i) as at the Latest Practicable Date; (ii) Members of the Group will undergo a reorganisation prior to the Proposed Spin-off. Upon the completion of the Proposed Spin-off where up to approximately 30.0% of the Kosmopolito 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%; and (iii) upon 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 the options granted under the Kosmopolito Share Option Scheme. Accordingly, the Company's equity interest in Kosmopolito could be reduced further to a minimum of approximately 66.3%:

(i) Shareholding structure as at the Latest Practicable Date



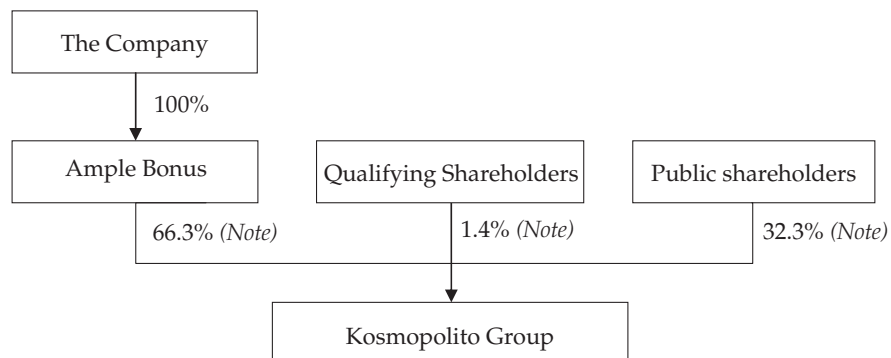
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- (ii) Members of the Group will undergo a reorganisation prior to Proposed Spin-off. Upon completion of the Proposed Spin-off (taking no account of any Kosmopolito Shares which may be allotted and issued by Kosmopolito and/or sold by the Selling Shareholder 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)



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.

- (iii) Upon 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 and issued upon the exercise of the options granted under the Kosmopolito Share Option Scheme)



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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.

As mentioned in the Letter from the Board, Kosmopolito intends to seek a separate listing of the Kosmopolito Shares on the Main Board of the Stock Exchange by way of the Global Offering, which will comprise the Hong Kong Public Offering and the International Offering. 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.

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 Qualifying Shareholders for subscription under the Preferential Offering. As set out in the Letter from the Board, under the current structure of the Proposed Spin-off, it is expected that Kosmopolito will offer Reserved Shares for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offering, for further details, refer to paragraph headed "B. Preferential Offering" below. 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.

As set out in the Letter from the Board, assured Entitlements of Qualifying Shareholders will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any Assured Entitlements not taken up by Qualifying Shareholders will be allocated first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis and thereafter, to the International Offering. Further details of the Preferential Offering are set out in the Letter from the Board and in the paragraph headed "B. Preferential Offering" below.

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2. Background information on the Group and the Kosmopolito Group

A. The Group

Prior to the Proposed Spin-off, 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. The following is a summary of the Group's audited results of operations for each of the three financial years ended 31 March 2008, 2009 and 2010, which were extracted from the Company's annual report for year ended 31 March 2009 ("2009 Annual Report") and 31 March 2010 ("2010 Annual Report"), respectively.

	Year ended 31 March		
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	2,159,514	1,732,841	2,342,235
Gross profit	1,070,545	727,685	799,151
Profit before taxation	658,396	221,947	494,612
Income tax expense	(215,016)	(116,847)	(154,545)
Profit for the year	443,380	105,100	340,067
Profit attributable to:			
– Equity holders of the Company	432,905	85,540	305,500
– Minority interests	10,475	19,560	34,567

Financial year ended 31 March 2010

Revenue increased from approximately HK\$1,732.8 million to approximately HK\$2,342.2 million for the year ended 31 March 2010, representing an increase of approximately 35.2% over the last corresponding financial year. The increase was largely attributable to the revenue increase of the property development division and contribution from the Group's newly established car park division. Revenue for the year ended 31 March 2010 was mainly derived from, among other activities, (i) sale of properties of approximately HK\$1,367.3 million, (ii) hotel operations of approximately HK\$577.5 million, and (iii) car park operations of approximately HK\$258.7 million.

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Furthermore, profit for the year increased from approximately HK\$105.1 million to approximately HK\$340.1 million for the year ended 31 March 2010, representing an increase of approximately 223.6% over the last corresponding financial year. The aforesaid increase can largely be attributable to the increase in fair value of investment properties and the improvement in the share of results of associates.

Financial year ended 31 March 2009 and 31 March 2008

Revenue decreased from approximately HK\$2,159.5 million to approximately HK\$1,732.8 million for the year ended 31 March 2009, representing a decrease of approximately 19.8% over the last corresponding financial year. The decrease can be attributable to the adverse impact from the financial crisis and the H1N1 pandemic. Revenue for the year ended 31 March 2009 was mainly derived from, among other activities, (i) sale of properties of approximately HK\$943.8 million (2008: approximately HK\$1,333.7 million) and (ii) hotel operations of approximately HK\$647.6 million (2008: approximately HK\$611.8 million).

Overall, profit for the year decreased from approximately HK\$443.4 million to approximately HK\$105.1 million for the year ended 31 March 2009, representing a decrease of approximately 76.3% over the last corresponding financial year. As set out in the 2009 Annual Report, such decrease is mainly attributable to the reduction in property sales from California Garden in Shanghai and the lack of substantial property sales in Hong Kong. In addition, the Group recorded a decrease in fair value of investment properties of approximately HK\$232.8 million during the year ended 31 March 2009.

B. The Kosmopolito Group

The Company has been engaged in hotel operations through its subsidiaries for over ten years. As at the Latest Practicable Date, Kosmopolito was a wholly-owned subsidiary of the Company. The Kosmopolito Group 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 is focused on expansion in the PRC and the Asia Pacific region. As at the Latest Practicable Date, the Kosmopolito Group owned and operated a total of fifteen hotels, eight of which are in Hong Kong, five in Malaysia and two in the PRC with a

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combined total of 3,889 rooms. The aforesaid portfolio consists of the following hotels:

Table A: Kosmopolito Hotel Portfolio (owned and operated)

Name	Location
Central Park Hotel	Hong Kong – Sheung Wan
Cosmo Hotel	Hong Kong – Wan Chai
Cosmo Kowloon Hotel	Hong Kong – Tai Kok Tsui
Cosmopolitan Hotel	Hong Kong – Wan Chai
Dorsett Far East Hotel	Hong Kong – Tsuen Wan
Dorsett Kowloon Hotel	Hong Kong – Tai Kok Tsui
Dorsett Seaview Hotel	Hong Kong – Yau Ma Tei
Lan Kwai Fong Hotel @ Kau U Fong	Hong Kong – Central
Wuhan Cosmopolitan Hotel	PRC – Wuhan
Yue Shanghai Hotel	PRC – Shanghai
Dorsett Johor Hotel	Malaysia – Johor
Dorsett Regency Hotel Kuala Lumpur	Malaysia – Kuala Lumpur
Grand Dorsett Labuan Hotel	Malaysia – Labuan
Grand Dorsett Subang Hotel	Malaysia – Subang
Maytower Hotel	Malaysia – Kuala Lumpur

The Kosmopolito Group also has seven hotels in various stages of planning or development, including four in Hong Kong, two in the PRC and one in Singapore, representing additional 2,406 rooms, which is expected to bring the total number of hotel rooms to 6,295 rooms by the end of 2013.

The details of the aforesaid hotels under development as at the Latest Practicable Date are as follow:

Table B: Kosmopolito Hotel Portfolio (owned and under development)

Name	Location
Dorsett Regency Kennedy Town, Hong Kong	Hong Kong – Kennedy Town
Dorsett Regency Kwai Chung, Hong Kong	Hong Kong – Kwai Chung
Dorsett Regency Kwun Tong, Hong Kong	Hong Kong – Kwun Tong
The Mercer by Kosmopolito	Hong Kong – Sheung Wan
Dorsett Regency CBD, Zhongshan	PRC – Zhongshan
Hotel Kosmopolito City Centre, Chengdu	PRC – Chengdu
Dorsett Regency “On New Bridge”, Singapore	Singapore

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Further details of the hotel portfolio under the Kosmopolito Group are set out in the Letter from the Board.

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 as set out in the Letter from the Board:

	Year ended 31 March		
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	633,635	681,905	616,253
Gross profit	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
Total assets	3,852,279	5,288,860	6,340,759
Total liabilities	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%

For the past three financial years ended 31 March 2010, the unaudited revenue of the Kosmopolito Group was relatively stable, being at a level above HK\$600.0 million per annum, while unaudited gross profit for each financial year exceeded HK\$300.0 million.

We noted that the unaudited profit for the financial year ended 31 March 2009 was lower than the corresponding prior period despite an increase in revenue from the financial year ended 31 March 2008. Based on our understanding from the Management, the increase in revenue was largely due to the opening of three new hotels during the financial year ended 31 March 2009, namely Maytower Hotel and Dorsett Johor Hotel in Malaysia, Wuhan Cosmopolitan Hotel in the PRC, as well as the full year operation of Grand Dorsett Labuan Hotel which was acquired in the financial year ended 31 March 2008. Total occupied room nights were approximately 716,443 and approximately 773,928 for the financial year ended 31 March 2008 and 2009, respectively. However, we noted from the Management that, among other things, there was an increase in administrative expenses and finance costs which adversely impacted the profit of the Kosmopolito Group for the financial year ended 31 March 2009. Furthermore, the Kosmopolito Group

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recorded a non-recurring gain, being the discount on acquisition of a subsidiary, in the financial year ended 31 March 2008. The aforesaid all contributed to the decline in the Kosmopolito Group's profit for the financial year ended 31 March 2009.

Based on our understanding from the Management and the Letter from the Board, the declining unaudited profit of the Kosmopolito Group, from approximately HK\$86.7 million to approximately HK\$45.8 million, for the year ended 31 March 2010 is largely attributable to weakness in the global economy and the H1N1 pandemic which adversely affected the Kosmopolito Group's performance in the first nine months of the aforesaid financial year. It was also noted that refurbishments to rooms and facilities in a number of the hotels also caused a reduction in the revenue for the year ended 31 March 2010. However, we also noted from the Management that a strong recovery in room rates and occupancy rates was experienced in the last quarter of the financial year ended 31 March 2010.

As at 31 March 2010, the unaudited combined net assets of the Kosmopolito Group totalled approximately HK\$184.0 million, such comprised of total assets of approximately HK\$6,340.8 million and total liabilities of approximately HK\$6,156.8 million. The assets of the Kosmopolito Group mainly consisted of hotels and hotels under development and prepaid lease payments. The liabilities of the Kosmopolito Group mainly consisted of secured bank borrowings and amounts due to parent entities. As set out in the Letter from the Board, the net amount due to parent entities of approximately HK\$1,859.8 million as at 31 March 2010 is expected to be capitalised upon completion of the Proposed Spin-off.

Further information, including unaudited financial information, on the Kosmopolito Group is set out in the Letter from the Board.

3. Reasons for and benefits of the Proposed Spin-off

As mentioned above, the Group is principally engaged in (i) property development and investment (including hotel development and redevelopment); (ii) hotel investment, operation, management and development; and (iii) car park investment and management. As set out in the Letter from the Board, after the Proposed Spin-off, the Remaining Group will focus on property development and investment, and car park investment and management, whilst the Kosmopolito Group will focus on hotel investment, operation, management and development. 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:

- 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;

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- 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;
- the Proposed Spin-off will enable the management teams of the Group and the Kosmopolito Group to focus on the respective core business of the two groups, thereby enhancing efficiency in the respective decision-making processes and responsiveness to market changes;
- 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 the consolidation of financial results generated by the Kosmopolito Group; and
- 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.

We have discussed with the Management with respect to the above benefits and we concur with the Directors' view on the aforesaid benefits of the Proposed Spin-off. Furthermore, we have also considered that,

- the Group (in particular Kosmopolito) is expected to receive a substantial amount of proceeds (net of expenses) from the Proposed Spin-off;
- the Proposed Spin-off is expected to enable the Company to realise part of its investment in the Kosmopolito Group through the Global Offering at a net gain; and
- the Proposed Spin-off is expected to enable the Kosmopolito Group to possess its own identity as a separately listed company and to promote its reputation on its hotel business and operations in Hong Kong, Malaysia and the PRC.

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As stated in the Letter from the Board, for illustration purpose, the minimum amount of expected net proceeds 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
Less:	
Expected transaction costs to be incurred for the Proposed Spin-off	(60)
Minimum amount of expected net proceeds from the Proposed Spin-off	1,002

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 the Group’s 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. As set out in the Letter from the Board, 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 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.

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The preliminary percentage above is for illustration purposes only and the final percentage shall be set out in the Prospectus. As set out in the Letter from the Board, 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.

Further to the above, we have also taken into consideration the following principal factors in relation to the Proposed Spin-off:

A. Impact on the operations and business of the Remaining Group

As set out in the Letter from the Board, following the Listing, there will be a clear delineation between the business of the Remaining Group and the Kosmopolito Group. The Remaining Group will focus on property development and investment, and car park investment and management, whilst the Kosmopolito Group will focus on hotel investment, operation, management and development.

Under the Deed of Non-Competition Undertaking, the Company (for and on behalf of itself and the Remaining Group for the purpose of the Company's undertaking) will undertake and covenant with Kosmopolito (for itself and on behalf of the Kosmopolito Group), that for so long as the Remaining Group and/or their respective associates, directly or indirectly, whether individually or taken together, remain as the controlling shareholders of Kosmopolito, each of them will not, and will procure his associates not to:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity;
- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Kosmopolito Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's and the Company's knowledge, as at the date of the Deed of Non-Competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-Competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Kosmopolito Group; and

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- (iii) exploit its knowledge or information obtained from the Kosmopolito Group to compete, directly or indirectly, with the Restricted Activity.

Furthermore, under the Deed of Non-Competition Undertaking, one of the Company's executive Directors, Tan Sri Dato' David Chiu, will undertake and covenant with Kosmopolito, that for so long as Tan Sri Dato' David Chiu and/or his respective associates directly or indirectly, whether individually or taken together, remain as Kosmopolito Controlling Shareholders, he shall not and shall procure to the extent it is within his power or control to procure, that his associates shall not:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan.
- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Kosmopolito Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's and the Company's knowledge, as at the date of the Deed of Non-competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-Competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Kosmopolito Group; and
- (iii) exploit his knowledge or information obtained from the Kosmopolito Group to compete, directly or indirectly, with the Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan.

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For the avoidance of doubt, where the interests of the Company or Tan Sri Dato' David Chiu and their respective associates in any entity is 50% or less or in a listed company where Tan Sri Dato' David Chiu is required to abstain from voting pursuant to the listing rules of that jurisdiction, his procurement obligation is to exercise such voting power which he has and where he is able to do so subject to applicable laws, rules and regulations, and procure his associates to exercise such voting power as they may have and which they are able to do so, in order to effect the terms of the Deed of Non-Competition Undertaking.

As set out in the Letter from the Board, the Kosmopolito Group has no current intention to develop its hotel business in Japan or outside the Asia Pacific region because after initial assessment, Japan presents a different operating environment and it may be costly for the Kosmopolito Group to expand into Japan, and given Tan Sri Dato' David Chiu's interests in two Japanese-style hotels in Japan through his shareholding interests in Tokai Kanko Co., Ltd., Tan Sri Dato' David Chiu's undertaking only covers the Restricted Activity in the Asia Pacific region (excluding Japan) instead of a wider scope.

The above undertakings by both the Company and Tan Sri Dato' David Chiu are conditional upon the Listing, do not apply to certain conditions as set out in the Letter from the Board and will lapse or terminate in respect to any covenantor upon the earlier of (i) Tan Sri Dato' David Chiu, the Company or Ample Bonus, as the case may be, ceasing to beneficially own and/or control 30% or more of the voting rights at a general meeting of Kosmopolito, or (ii) the Kosmopolito Shares are no longer listed on the Main Board of the Stock Exchange. The Directors are of the view that after the Proposed Spin-off, there will be clear delineation of the business of the Remaining Group and the Kosmopolito Group. Further details of the Deed of Non-Competition Undertaking are set out in the Letter from the Board.

In assessing the potential impact of the Proposed Spin-off on the operations and business of the Remaining Group, we have considered the following issues:

- (i) there will be a delineation of business between the Remaining Group and the Kosmopolito Group as set out above;
- (ii) following the completion of the Listing, the Company and Kosmopolito will have boards of directors that will function independently of each other. The exact structure of the directorship and management of both the Company and Kosmopolito will be finalised prior to the issue of the Prospectus but it is proposed that there will be 11 Kosmopolito directors (including four executive directors, four non-executive directors and three independent non-executive directors), details of which are set out in the Letter from the Board. Of the nine Directors, only

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Tan Sri Dato' David Chiu will be a non-executive director of Kosmopolito. Mr. Hoong Cheong Thard, the Company's Managing Director and Mr. Chan Chi Hing, the Company's Chief Operating Officer are proposed to be non-executive directors of Kosmopolito. Each of such non-executive directors of Kosmopolito will not be participating in the day to day management of the Kosmopolito Group after Listing and their roles in the Remaining Group will not change after Listing. Each of such non-executive directors of Kosmopolito shall abstain from voting pursuant to the provisions of the Articles on any relevant board resolution of the Company in which he has a conflict of interest; and

- (iii) The Remaining Group will maintain a sufficient level of independence of directorship and management from the Kosmopolito Group and does not have full-time senior management and employees who are involved in the day to day operations of the Kosmopolito Group.

In addition to the above, as set out in the Letter from the Board, the Board is of the view that, with the expected addition of new hotels and the strong performance seen recently in the Kosmopolito hotel operations, the contribution from the division may increase substantially in the coming year.

In view of the above, the Directors consider that the Proposed Spin-off will not have any material adverse impact on the operations and business of the Remaining Group. We are of the view that, while the Remaining Group has undertaken that it will not participate in the Restricted Activity, namely investment, operation, management and development of hotels (other than a Permitted Mixed Development), the Kosmopolito Group will remain a non-wholly owned subsidiary of the Group upon completion of the Listing and the financial results of the Kosmopolito Group will continue to be consolidated into those of the Group. The Company will retain an indirect interest in the hotel related business through its interests in the Kosmopolito Group. As such, we do not consider that the Deed of Non-competition Undertaking will have any overall material adverse impact on the Group. In summary, having considered, among other things, (i) the benefits as set out under paragraph headed "3. Reasons for and benefits of the Proposed Spin-off" above, including that the Remaining Group and the Kosmopolito Group will each be run by their respective management team after the Listing; (ii) the net proceeds payable to Kosmopolito from the Global Offering was intended to be used for its rebranding exercise, expansion of its hotel management business and continue expansion of its hotel portfolio; and (iii) the Kosmopolito Group will remain a non-wholly owned subsidiary of the Group upon completion of the Listing and the financial results of the Kosmopolito Group will continue to be consolidated into those of the Group, we concur with the Board that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

4. Analysis on the terms of the Proposed Spin-off

A. Estimated minimum market capitalisation of Kosmopolito Group under the Global Offering

As stated in the Letter from the Board, the minimum market capitalisation of Kosmopolito at Listing is expected to be approximately HK\$3,900 million (assuming the Over-allotment Option and the options may be granted under the Kosmopolito Share Option Scheme are not exercised) and approximately HK\$3,980 million (assuming the Over-allotment Option is exercised but the options may be granted under the Kosmopolito Share Option Scheme are not exercised). The exact market capitalisation of the Kosmopolito Group may vary depending on, among other things, the final level at which the Offer Price is fixed and the structure of the Global Offering.

Based on the current structure of the Proposed Spin-off and the above analysis, the aforesaid expected minimum market capitalisation of approximately HK\$3,900 million (assuming the Over-allotment Option and the options may be granted under the Kosmopolito Share Option Scheme are not exercised) represents a historical price-earnings multiple ("PER") of approximately 85.1 times based on the unaudited profit attributable to the equity holders of the Kosmopolito Group of approximately HK\$45.8 million for the year ended 31 March 2010. Such expected minimum market capitalisation also represents a price-to-book ratio ("PBR") of approximately 1.5 times based on the unaudited pro forma combined net assets value of the Kosmopolito Group as at 31 March 2010 of approximately HK\$2,543 million (taking into account the effects of the Capitalisation Issue and the expected minimum net proceeds based on the minimum market capitalisation of Kosmopolito after Listing, but 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, respectively).

In addition, the enterprise value over EBITDA ratio (the "Enterprise Multiple") of the Kosmopolito Group was approximately 34.5 times based on the enterprise value being approximately HK\$6,835.9 million as at 31 March 2010, as set out in the Letter from the Board, and unaudited EBITDA being approximately HK\$198.1 million for the financial year ended 31 March 2010.

For the purpose of assessing the market capitalisation of the Kosmopolito Group as represented by the expected minimum market capitalisation of the Kosmopolito Group and the structure of the Global Offering as set out in the Letter from the Board, we have reviewed and compared the market statistics of companies listed on the Stock Exchange which are principally engaged in the operation of hotels and had been operating profitably for their respective latest financial years (the

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“Comparable Companies”). For the purpose of this comparison, we have included only those companies which (i) derived not less than 70.0% of its historical turnover or profit from hotel operations; and (ii) revenue derived from its hotel operations being not less than HK\$60.0 million for the latest full financial year and/ or total assets being not less than HK\$600.0 million as at the year end of the latest full financial year. To the best of our knowledge, we have identified a total of 5 Comparable Companies up to the Latest Practicable Date and details of our findings are summarised in the table below.

Table C: Comparable Companies

Company (<i>Stock code</i>)	Year-end date (<i>dd/mm/yyyy</i>)	PER (<i>notes 1&2</i>)	PBR (<i>notes 1&3</i>)	Enterprise Multiple (<i>notes 1&4</i>)
Hongkong and Shanghai Hotels Limited (<i>45</i>)	31/12/2009	8.3	0.8	7.7
Regal Hotels International Holdings Limited (<i>78</i>)	31/12/2009	7.1	0.6	24.3
Shanghai Jin Jiang International Hotels (Group) Company Limited (<i>2006</i>)	31/12/2009	63.5	1.0	10.6
Shangri-La Asia Limited (<i>69</i>)	31/12/2009	24.9	1.5	31.7
Sino Hotels (Holdings) Limited (<i>1221</i>)	30/06/2009	24.5	0.7	89.1
<i>Average of the Comparable Companies</i>		25.7	0.9	32.7
Kosmopolito Group based on the estimated minimum market capitalisation of approximately HK\$3,900 million (<i>note 5</i>)		85.1	1.5	34.5 (<i>note 7</i>)
Kosmopolito Group based on the estimated minimum market capitalisation of approximately HK\$3,980 million (<i>note 6</i>)		86.9	1.5	34.5 (<i>note 7</i>)

Source: The website of the Stock Exchange (www.hkex.com.hk) and Thomson ONE

Notes:

1. Based on the share closing prices of the respective Comparable Companies on the Latest Practicable Date.
2. Based on the audited earnings per share of the respective Comparable Companies as indicated in their latest published annual reports.

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3. Based on the net asset value (before non-controlling interests) of the respective Comparable Companies as indicated in their latest published annual or interim reports.
4. Based on information extracted from Thomson ONE. The enterprise value was based on market value of the company as at the Latest Practicable Date, adding back the value of its preferred stock, minority interests and total debt before subtracting its cash and cash equivalents balance as per the latest published annual reports as at the Latest Practicable Date.
5. In calculating the PBR of Kosmopolito Group, the unaudited net assets value of the Kosmopolito Group as at 31 March 2010 has been adjusted by including the Capitalisation Issue and the estimated amount of net proceeds to be raised from 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).
6. In calculating the PBR of Kosmopolito Group, the unaudited net assets value of the Kosmopolito Group as at 31 March 2010 has been adjusted by including the Capitalisation Issue and the estimated amount of net proceeds to be raised from the Global Offering (taking into account of 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 but excluding the Kosmopolito Shares which may fall to be issued upon the exercise of options granted under the Kosmopolito Share Option Scheme).
7. As set out in the Letter from the Board, the enterprise value of the Kosmopolito Group is approximately HK\$6,835.9 million as at 31 March 2010 based on assumed minimum equity value of HK\$3,400.9 million and net debt balance of approximately HK\$3,435.0 million.

As indicated in the above table, the PER of the Comparable Companies as at the Latest Practicable Date ranged from approximately 7.1 to approximately 63.5 times, with an average of approximately 25.7 times. In terms of PBR, three out of the five Comparable Companies were traded at prices below their respective net asset value and at ratios between approximately 0.6 and approximately 1.5, with an average PBR of approximately 0.9. In addition, we also examined the Enterprise Multiple of the Comparable Companies and noted that the aforesaid multiples ranged from approximately 7.7 times to 89.1 times, with an average of approximately 32.7 times.

By comparison with the trading statistics of the Comparable Companies as at the Latest Practicable Date as summarised above, the estimated minimum market capitalisation of the Kosmopolito Group under the current structure of the Global Offering (after taking into account the Capitalisation Issue but 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), as set out in the Letter from the Board, represents (i) a PER of approximately 85.1 times; (ii) a PBR of approximately

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1.5 times; and (iii) a Enterprise Multiple of approximately 34.5 times, which are within or above the range of the PER, PBR and Enterprise Multiple of the Comparable Companies respectively. We also noted that the PER, PBR and the Enterprise Multiple are all above the average of the Comparable Companies.

Furthermore, we understand from the Company that in determining the Offer Price and valuation of the Kosmopolito Group under the Global Offering, the Board will consider, among other factors, the following:

- (i) the past financial performance of the Kosmopolito Group;
- (ii) the future prospects of the Kosmopolito Group;
- (iii) the latest performance of the securities market in Hong Kong and the general market sentiment towards initial public offerings as a whole; and
- (iv) the market statistics of companies listed on the Stock Exchange which are engaged in the business similar to that of the Kosmopolito Group.

In forming our opinion on the estimated minimum market capitalisation of the Kosmopolito Group under the Global Offering, we have taken into consideration, among other things, that (i) the range of the PER, PBR and Enterprise Multiple set out in Table C: Comparable Companies above; (ii) as set out in the Letter from the Board, the Board expects that the Group will recognise a minimum net gain of approximately HK\$315 million (consisting of HK\$343 million gross gain on disposal and HK\$28 million share disposal expenses) on the basis of the minimum proposed offer size and structure of the Global Offering (assuming the Over-allotment Option and the options which may be granted under the Kosmopolito Share Option Scheme are not exercised), such net gain will be recorded as a reserve movement in the Company's statement of financial position; and (iii) under the Preferential Offering, as detailed under paragraph headed "B. Preferential Offering" below, Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price. In conclusion, we are of the opinion that the expected minimum market capitalisation of the Kosmopolito Group under the Global Offering (which is subject to final decision by the Board and the board of directors of the Kosmopolito Group), assuming minimum expected net proceeds of approximately HK\$1,002 million (assuming 27% of Kosmopolito Shares to be offered pursuant to the Global Offering), to be fair and reasonable.

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B. 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 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/or 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 Qualifying Shareholders at the Offer Price under the Preferential Offering. Qualifying Shareholders will be entitled to subscribe 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 options may be granted under the Kosmopolito Share Option Scheme are not exercised). The Reserved Shares will be allocated out of the International Offer 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 the Company are outside Hong Kong 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.

In order to assess the reasonableness of the assured entitlement to the Kosmopolito Shares to be offered to the Shareholders under the Preferential Offering, we have considered the following spin-off exercises which involved a separate listing of a company on the Main Board of the Stock Exchange ("Spin-off Exercises") identified based on the following criteria:

- (i) the dates of the prospectus or offering circulars of the offerings were on or after 1 January 2007, up to and including the Latest Practicable Date; and

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- (ii) the offerings involved giving assured entitlement to existing shareholders by way of preferred applications.

Table D: Assured entitlement of Spin-off Exercises

Date of prospectus/ offering circular	Company name (stock code)	Assured entitlement as a percentage of the total number of shares offered (note 1)
26 May 2008	Pou Sheng International (Holdings) Limited (3813)	5.05%
7 December 2007	BYD Electronic (International) Co. Limited (285)	8.88%
4 October 2007	Dah Chong Hong Holding Limited (1828)	5.75%
28 June 2007	New World Department Store China Limited (825)	4.99%
19 May 2007	Regal Real Estate Investment Trust (1881)	5.74%
11 April 2007	Emperor Capital Group Limited (717)	88.70% (note 2 & 3)
22 March 2007	CITIC 1616 Holdings Limited (1883)	6.86%
	Average	6.21% (note 3)
	<i>Kosmopolito</i> (note 4)	4.76%

Notes:

- (1) the effect of the exercise of any over-allotment options is excluded.
- (2) the share offer of Emperor Capital Group Limited (“Emperor Capital”) only comprises a public offer of 36,000,000 shares of Emperor Capital and a preferential offering of 282,635,636 shares of Emperor Capital without any share placement.
- (3) Emperor Capital is considered to be an outlier and has been excluded from the calculation of the average.

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- (4) 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 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/ or 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 Qualifying Shareholders at the Offer Price under the Preferential Offering.

As set out in the table above, the assured entitlement offered to the shareholders under the Spin-off Exercises as a percentage to their respective total number of shares offered ranged from 4.99% to 8.88% (excluding the spin-off of Emperor Capital), with an average of 6.21%. As such, the Assured Entitlement of approximately 4.76% of the Kosmopolito Shares initially available under the Global Offering for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offering, assuming a maximum of approximately 30% 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 to be issued upon the exercise of the options that may be granted under the Kosmopolito Share Option Scheme to be adopted), is below the average and slightly below the bottom of the range of the Spin-off Exercises but in line with majority of the identified assured entitlement of the Spin-off Exercises set out in the table above. Having considered, among other factors, that the reasons for and benefits of the Proposed Spin-off as set out in the Letter from the Board and as the Assured Entitlement will allow the Qualifying Shareholders to subscribe for the Kosmopolito Shares on a preferential basis, we are of the view that the size of the Assured Entitlement under the Preferential Offering is fair and reasonable as far as the Shareholders are concerned.

C. Listing Rules Implications and Conditions of the Proposed Spin-off

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 interests in Kosmopolito will initially be reduced from 100.0% down to a minimum of approximately 70.0% immediately following the implementation of the Proposed Spin-off, and will be further reduced to a minimum of approximately 66.3% if 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

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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. In addition, the Kosmopolito Share Option Scheme will also be subject to the approval of the Shareholders under Chapter 17 of the Listing Rules.

The Proposed Spin-off will be conditional on, amongst 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 Kosmopolito Shares in issue and to be allotted and issued under the Global Offering (including the Kosmopolito Shares to be allotted and issued upon the exercise of the options that may be granted under the Kosmopolito Shares 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 of the Global Offering;
- (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.

5. Possible financial effects of the Proposed Spin-off

A. *Net asset value*

As set out in the Letter from the Board, the audited consolidated net assets after deducting non-controlling interests of the Group was approximately HK\$6,061 million as at 31 March 2010 and 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

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capitalisation of net amounts due to the Remaining Group by Kosmopolito of approximately HK\$1,860 million as at 31 March 2010 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.

Following completion of the Proposed Spin-off, the Company's interests in Kosmopolito will be reduced from 100.0% down to a minimum of approximately 70.0% (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). In the event that the Over-allotment Option is exercised in full (but taking no account of any Kosmopolito Shares which may fall to be issued pursuant to the exercise of the options granted under the Kosmopolito Share Option Scheme), the Company's equity interest in Kosmopolito will be further reduced to a minimum of approximately 66.3%. Hence, the financial results and position of the Kosmopolito Group will continue to be consolidated into the financial statements of the Group, but minority interests of the Group are expected to increase when consolidating the total assets and total liabilities of the Kosmopolito Group.

As set out in the Letter from the Board, based on the unaudited proforma combined net asset value of Kosmopolito Group of approximately HK\$2,044 million as at 31 March 2010 and the current proposed structure of the Global Offering, the minimum market capitalisation of Kosmopolito at Listing is expected to be approximately HK\$3,900 million (assuming the Over-allotment Option and the options may be granted under the Kosmopolito Share Option Scheme are not exercised) and approximately HK\$3,980 million (assuming the Over-allotment Option is exercised but the options may be granted under the Kosmopolito Share Option Scheme are not exercised), and 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 will be calculated by reference to, amongst others, the financial position of the Kosmopolito Group at the time of completion of the Global Offering, which may be different from the above estimation.

Assuming the Proposed Spin-off is completed on or before 31 October 2010 and on the basis of the minimum proposed offer size and structure of the

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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 of such net gain.

B. Effect on earnings

As set out in the Letter from the Board, 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 after taxation of the Kosmopolito Group were approximately HK\$86.7 million and HK\$45.8 million, respectively. Based on the above, the unaudited profit after taxation of the Kosmopolito Group represented approximately 82.5% and 13.5% of the profit after taxation of the Group for the financial year ended 31 March 2009 and 2010, respectively.

Shareholders should note that although the financial results of the Kosmopolito Group will continue to be consolidated into the results of the Group, after the implementation of the Proposed Spin-off, 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). As such, minority interests of the Group are expected to increase when consolidating the total assets and total liabilities of the Kosmopolito Group.

In addition to the above, the Qualifying Shareholders will be entitled to share the financial results through its direct shareholding interests in the Kosmopolito Group, should they so wish, by way of taking up their assured entitlements under the Preferential Offering. Further details of the possible dilution effect of the Proposed Spin-off are set out under paragraph headed "C. Possible dilution effect of the Proposed Spin-off on shareholding interests and voting rights of the Group in the Kosmopolito Group" below.

Notwithstanding the above mentioned dilution effect, having considered that (i) the Board expects the Group to recognise a gain as a result of the Proposed Spin-off; (ii) the Shareholders can participate in the potential growth of the Kosmopolito Group through participating in the Preferential Offering; and (iii) the potential benefits to be brought about by the Proposed Spin-off on the Remaining Group and the Kosmopolito Group respectively as mentioned above, we are of the view that the decrease in the percentage share of the future profits after minority interests of the Kosmopolito Group is acceptable.

C. Possible dilution effect of the Proposed Spin-off on shareholding interests and voting rights of the Group in the Kosmopolito Group

As at the Latest Practicable Date, Kosmopolito is a wholly-owned subsidiary of the Group. Upon completion of the Proposed Spin-off, taking no

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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, the Company's equity interest in the Kosmopolito Group will be reduced down to a minimum of approximately 70.0%. In the event that the Over-allotment Option is exercised in full, the Company's equity interest in Kosmopolito will further reduce down to a minimum of approximately 66.3%, in each of the aforesaid cases, taking no account of any Kosmopolito Shares which may fall to be issued pursuant to the exercise of the options granted under the Kosmopolito Share Option Scheme.

Having taken into consideration, among other factors, that (i) the Qualifying Shareholders shall be offered an opportunity to participate in the Global Offering by taking up the Reserved Shares on an assured basis under the Preferential Offering which has been discussed in details under the paragraph headed "B. Preferential Offering" above; (ii) the fact that the Company shall maintain majority control and voting rights in Kosmopolito after the implementation of the Proposed Spin-off and that the dilution in shareholding and voting rights in Kosmopolito will not have any material adverse impact on the operations and business of the Remaining Group; (iii) the Remaining Group and the Kosmopolito Group will be managed and operate independently of each other; (iv) the Remaining Group will be entitled to share the profit of the Kosmopolito Group according to its shareholding percentage in Kosmopolito; and (v) the potential benefits to be brought about by the Proposed Spin-off on the Remaining Group and the Kosmopolito Group respectively as set out above, we consider that the dilution in shareholding in Kosmopolito as a result of the Proposed Spin-off, although inevitable, is acceptable.

D. Gearing and working capital

Based on the Global Offering (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), the net proceeds expected to be raised from the sale of Kosmopolito Shares by Kosmopolito will provide Kosmopolito with additional equity for expansion of its operations.

As mentioned above, the Kosmopolito Group will remain a non-wholly owned subsidiary of the Group (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) and the financial results of the Kosmopolito Group will continue to be consolidated into those of the Group with minority interests when consolidating the total assets and total liabilities of the Kosmopolito Group.

LETTER FROM ACCESS CAPITAL

The cash position of the Group is expected to be increased by not less than the expected minimum net proceeds payable to Kosmopolito under the Global Offering upon completion of the Proposed Spin-off.

Furthermore, the expected minimum net proceeds raised from the selling of Kosmopolito Shares by the Group will further enhance the working capital of the Remaining Group as a result of the Proposed Spin-off.

Based on the above, the gearing ratio (calculated based on net debt, being secured bank borrowings net of bank balances and cash and pledged deposits, over total equity) is expected to improve as a result of the net proceeds raised from the sale of Kosmopolito Shares by Kosmopolito and the Selling Shareholder and the expected increase in reserves. In view of the aforesaid improvement in gearing and working capital, we are of the view that the Proposed Spin-off and the Global Offering are beneficial to the Company and the Shareholders as a whole.

V. RECOMMENDATION

In making our recommendation in respect of the Proposed Spin-off, we have considered all the reasons and factors discussed above, in particular the following:

- (i) The implementation of the Proposed Spin-off is expected to bring commercial benefits, including a distinct and clear business identity, to each of the Remaining Group and the Kosmopolito Group and a listing status will be sought for Kosmopolito Group (as discussed in the section headed "3. Reasons for and benefits of the Proposed Spin-off" above).
- (ii) The Proposed Spin-off is not expected to have any material adverse effect on the financial position of the Group or the Remaining Group as far as the Shareholders are concerned, and the net proceeds from the Global Offering will strengthen the capital base of the Kosmopolito Group (as discussed in the section headed "5. Possible financial effects of the Proposed Spin-off" above).
- (iii) The possible dilution effect on the interests of the Qualifying Shareholders in the Kosmopolito Group by reason of the Global Offering is acceptable as they will be offered the opportunity to maintain their interests to up to approximately 1.4% of the enlarged issued share capital of Kosmopolito (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) on an assured basis under the Preferential Offering (as discussed in the section headed "B. Preferential Offering" above).
- (iv) The estimated minimum market capitalisation of the Kosmopolito Group under the Global Offering is fair and reasonable (as discussed in the section headed "A. Estimated minimum market capitalisation of Kosmopolito Group under the Global Offering" above).

LETTER FROM ACCESS CAPITAL

Based on the above, we are of the opinion that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole, and its terms are fair and reasonable as far as the Company and the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,

For and on behalf of

Access Capital Limited

Ambrose Lam
Principal Director

Jimmy Chung
Principal Director

1. INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of HK\$5,086,465,000, comprising secured bank loans of HK\$5,085,464,000 and secured other borrowings of HK\$1,001,000; obligation under finance lease of HK1,147,000 and amounts due to directors, related companies, associates, minority shareholders and jointly controlled entity of HK\$884,000, HK\$46,484,000, HK\$17,951,000, HK\$29,705,000 and HK\$13,682,000, respectively.

As at the close of business on 31 July 2010, the bank loans were secured by a fixed charge over the Group's properties with an aggregate carrying amount of HK\$8,234,037,000, bank deposits of HK\$16,721,000 together with a floating charge over certain other assets and benefits accrued to the properties; and the other borrowings secured by a pledge of the Group's securities and deposits with the financial institutions with an aggregate carrying amount of approximately HK\$7,578,000.

Debt securities

As at the close of business on 31 July 2010, the Group had convertible bonds with outstanding principal amount of HK\$800,000,000.

Commitments

As at the close of business on 31 July 2010, the Group had authorised capital expenditure not provided for in the consolidated financial statements amounting to approximately HK\$623,704,000 of which approximately HK\$415,521,000 was contracted for.

Contingent liabilities

The Group has contingent liabilities in respect of guarantees given for mortgage loans provided to the home buyers of the Group's properties in the PRC. As at the close of business on 31 July 2010, the total amount of mortgage loans outstanding which are under the guarantee was HK\$124,935,000.

In response to a lawsuit which one of our subsidiaries filed against a contractor in connection with the construction of a hotel, the contractor has filed counter-claims against our subsidiary for an amount of HK\$25,841,000. While the financial impact and outcome of these proceedings cannot be estimated at such a preliminary stage of these proceedings, our Directors are of the view that the counter-claims would not have a material adverse impact on our financial position.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Group did not, as at the close of business on 31 July 2010, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that taking into account the internal resources, the present available banking facilities and the expected net cash inflow from the Proposed Spin-off to the Selling Shareholder, the Group will, following the completion of the Proposed Spin-off, have sufficient working capital for its present requirements that is, for at least the next twelve months from the date of this circular.

3. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in our financial or trading position since 31 March 2010, being the date of our last audited accounts.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**1. Hotel Division**

We operate our hotels under our "Cosmopolitan", "Cosmo", "Dorsett" and "Grand Dorsett" brands as well as individual boutique hotel names such as our Lan Kwai Fong Hotel @ Kau U Fong and Central Park. While we believe these brands have developed strong customer recognition, we have recently undertaken a brand strategy initiative with the objective to develop a more cohesive and engaging portfolio of brands to serve as a platform for our hotel management business. The initiative will be implemented over the coming years.

We currently own and operate a total of eight hotels in Hong Kong, two hotels in China and five hotels in Malaysia with a combined total of 3,889 rooms. We also have seven hotels in various stages of development, including four in Hong Kong, two in China and one in Singapore, representing an additional of 2,406 rooms which will bring our total number of hotel rooms to 6,295 rooms by 2013.

We established a new team focusing on developing third party hotel management business during the financial year ended 31 March 2010. We believe there is significant potential for this business in the Asia Pacific region and in particular, China.

With the expected addition of new hotels and the strong performance seen recently in our hotel operations, we believe the contribution from the division to increase substantially in the coming year. We also believe that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Further details of the benefits of the Proposed Spin-off are set out under the section headed "Reasons for and benefits of the Proposed Spin-off" in "Letter from the Board" in this circular.

2. Property Development Division

China

Over the last few years, there have been series of tightening measures taken by the Chinese government to cool down the property markets in various major cities. However, with the steady growth of China's economy and the significant wealth creation, demand for middle class housing is expected to remain strong. Despite the recent weakened market sentiment due to a new round of austerity measures, we continue to be optimistic about the long term prospects for middle class and end-user market and will continue to invest in this segment. In our California Garden project in Shanghai, we are constructing approximately 280 apartment units in a new phase of development. We are also planning the construction of approximately 180 units of mid-rise apartment and 42 townhouses for our next phase of development in 2011. Additionally, we are finalising a plan to build 488 high-rise apartments with 88 townhouse units, totaling 576 mixed units in the following phase. California Garden will remain a substantial development project for us with a significant land bank for future growth in the next 5 to 6 years. We have three property development projects in Guangzhou which are at various stages of development.

Hong Kong

During the financial year ended 31 March 2010, we sold a number of our stocks and focused our efforts on finalising plan for a number of developments. We currently have 6 projects in Hong Kong with a total gross floor area of approximately 200,000 square feet at various stages of development. We expect to complete the Rose De Casa project in the coming year and other projects in subsequent years. We will remain selective on site acquisitions and will focus only on relatively high margin projects.

Australia

During the financial year ended 31 March 2010, we completed the Northbank project and pre-sold approximately 95% of the Bundoora project. We spent significant efforts in finalising the development plan of the Upper West Side project in central Melbourne. The development is expected to consist of 2,700 apartments, divided into four development phases. Pre-sale of its first tower with approximately 700 apartments has commenced. This project is expected to contribute significantly to the property development division in the coming several years.

In addition to the Upper West Side project, we also wholly own the Northcote project and 30% stake in the Pinnacle Valley project. These projects are at various stages of development. We believe in the foreseeable future, Australia, particularly Melbourne, will remain a good economic place to do business and we are well positioned to participate in this growth.

3. Car Park Division

The Group's car park division was established through completion of the acquisitions of the Care Park Group and the Best Impact Group in August 2009. As at 31 March, 2010, the Group had approximately 250 car parks comprising over 46,000 parking bays under our management in strategic locations in Australia, New Zealand and Malaysia, among which 20 car parks comprising over 5,600 parking bays are owned by the Group.

Australia

Our Australian and New Zealand car park operation is under the Care Park Group. Its principal operation is managing third party car parks as well as operating self-owned car parks. The Care Park Group also has a number of contracts with city councils for parking meter collection. The Care Park Group has established itself as one of the largest car park operators in Australia.

Last year, the Care Park Group continued to add car parks under management and made selective purchases. For the financial year ended 31 March 2010, the Care Park Group added 12 new contracts for third party management and purchased 2 new car parks with 206 parking bays in Australia.

Malaysia

In Malaysia, the primary contribution of the operation is derived from the car parks located in Plaza Damas in Sri Hartamas, Kuala Lumpur. Plaza Damas is an integrated commercial development comprising shoplots, business offices, high rise condominiums, serviced apartment and a multi-storey shopping centre (Hartamas Shopping Centre).

The Group will continue to grow its car park business with a longer term objective of expanding its presence across Asia.

4. Investment Properties

The Group owns and managed a number of investment properties in Hong Kong, Singapore and mainland China. For the financial year ended 31 March 2010, rental income from these properties amounted to approximately HK\$58 million. We disposed a number of smaller properties during the year and are working on a project to convert more area in our building in Tsuen Wan, Hong Kong, into commercial units which will be available for rental this year. The division will continue to contribute a steady income stream for the Group.

The following is the text of a letter, summary of valuations and valuation certificates prepared for inclusion in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests as at 30 June 2010 to be held by Kosmopolito Hotels International Limited and its subsidiaries ("Kosmopolito Group"), being subsidiaries of Far East Consortium International Limited, prepared for the purpose of incorporation in this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

2 September 2010

The Directors
Far East Consortium International Limited
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

We refer to your instructions for us to carry out market valuations of the properties in Hong Kong, the People's Republic of China (the "PRC") and Singapore to be held by Kosmopolito Hotels International Limited and its subsidiaries ("Kosmopolito Group"), being subsidiaries of Far East Consortium International Limited (the "Company"), for the purpose of inclusion in the Company's circular 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. 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 values of these properties as at 30 June 2010 (the "date of valuation"). The Company and its subsidiaries are hereafter referred to as the "Group".

BASIS OF VALUATION

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by 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".

VALUATION ASSUMPTIONS

Our valuation of each 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.

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

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

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by the Kosmopolito Group's PRC legal adviser, Commerce and Finance Law Offices, are set out in the notes in the respective valuation certificates.

METHOD OF VALUATION

Unless otherwise stated, we have generally valued the properties using direct comparison method by making reference to comparable sales transactions as available in the relevant market.

The properties in Group I which are hotel properties owned and operated by the Group in Hong Kong have been granted with the respective licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority. Our valuations are carried out with the benefit of all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for the operation of a hotel in Hong Kong under the provisions in the relevant legislations such as the Hotel and Guesthouse Accommodation Ordinance and/or its amendments.

In respect of the properties in Groups II and V, which are held by the Group under development in Hong Kong and the PRC respectively, we have valued them on the basis that each of these properties will be developed and completed in accordance with latest development proposals provided to us by the Group. We have assumed that all consents, approvals and licences from all relevant government authorities for implementation of the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development. The "Capital value when completed" represents our opinion of the selling price of the proposed development assuming that it were completed at the date of valuation.

Unless otherwise stated, we have ascribed no commercial value to the property in Group VI which is contracted to be acquired by the Group in the PRC, as the Group has not yet obtained the State-owned Land Use Rights Certificate and has not fully settled the payment as at the date of valuation.

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, lettings, particulars of occupancy, identification of properties, development schemes, floor plans and areas, site areas, number of parking spaces, number of guestrooms, trading accounts, construction schedules and costs, interests attributable to the Group and all other relevant matters.

LAND TENURE

In valuing the properties in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the dates of extension.

In valuing the properties in the PRC, we have generally assumed that transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted and that all necessary land premiums payable have been fully settled unless otherwise stated. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry or equivalent land authority in Hong Kong and Singapore. In respect of the properties in the PRC, we have been provided by the Group with copies of extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any lease amendments. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and Kosmopolito Group's PRC legal adviser, Commerce & Finance Law Offices in respect of the title to the properties in the PRC.

PROPERTY INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. 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. Moreover, for those properties which are held for or under development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, the market values of the properties in Groups I and II are stated in Hong Kong dollars. The market values of the properties in Groups III, IV, V and VI are primarily stated in Renminbi. The market value of the property in Group VII is primarily stated in Singapore dollars. The exchange rates adopted in our valuations are RMB1:HK\$1.15 and SGD1:HK\$5.56, which were the approximate prevailing exchange rates as at the date of valuation.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Notes: Mr. K.B. Wong is a Registered Professional Surveyor who has over 25 years' experience in valuation of properties in Hong Kong and over 20 years' experience in valuation of properties in the PRC as well as extensive experience in valuation of properties in Singapore and other Asian countries.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group I – Hotel properties owned and operated by the Group in Hong Kong	
1. Central Park Hotel, No. 263 Hollywood Road, Sheung Wan, Hong Kong	HK\$429,000,000
2. Cosmopolitan Hotel, No. 387 Queen's Road East, Wanchai, Hong Kong	HK\$1,622,000,000
3. Cosmo Hotel, No. 375 Queen's Road East, Wanchai, Hong Kong	HK\$490,000,000
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong	HK\$797,000,000
5. Dorsett Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon	HK\$250,000,000
6. Dorsett Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon	HK\$542,000,000
7. Dorsett Far East Hotel, No. 135-143 Castle Peak Road, Tsuen Wan, New Territories	HK\$336,000,000
Sub-total:	HK\$4,466,000,000

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group II – Properties held by the Group under development in Hong Kong	
8. Project under development to be known as “Dorsett Regency Kennedy Town, Hong Kong”, No. 12-22 Davis Street, Kennedy Town, Hong Kong	HK\$481,000,000
9. Project under development to be known as “The Mercer by Kosmopolitan”, No. 27-31 Jervois Street, Sheung Wan, Hong Kong	HK\$222,000,000
10. Cosmo Kowloon Hotel, No. 35-43 Ivy Street (now known as No. 88 Tai Kok Tsui Road), Tai Kok Tsui, Kowloon	HK\$537,000,000
11. Project under development to be known as “Dorsett Regency Kwun Tong, Hong Kong” No. 84 Hung To Road, Kwun Tong, Kowloon	HK\$426,000,000
12. Project under development to be known as “Dorsett Regency Kwai Chung, Hong Kong”, No. 659 Castle Peak Road, Kwai Chung, New Territories	HK\$270,000,000
Sub-total:	HK\$1,936,000,000

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group III – Properties held by the Group for investment in the PRC	
13. A portion of the retail podium (levels 1, 3 and 4) of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	RMB29,000,000 (equivalent to approximately HK\$33,350,000)
14. Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, levels 3 to 7 and 9) and office portion (portion of level 10, whole of levels 17 to 18) of Hong Kong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	RMB291,000,000 (equivalent to approximately HK\$334,650,000)
Sub-total:	<hr/> RMB320,000,000 (equivalent to approximately HK\$368,000,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group IV – Hotel properties owned and operated by the Group in the PRC	
15. Wuhan Cosmopolitan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16 and car park (portion of basement) of Hong Kong and Macao Center) No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	RMB378,000,000 (equivalent to approximately HK\$434,700,000)
16. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	RMB418,000,000 (equivalent to approximately HK\$480,700,000)

Sub-total:	RMB796,000,000 (equivalent to approximately HK\$915,400,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group V – Property held by the Group under development in the PRC	
17. Project under development to be known as “Hotel Kosmopolito City Centre, Chengdu”, Nos. 124-177 Xiyulong Road, Qingyang District, Chengdu, Sichuan Province, the PRC	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
Sub-total:	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
Group VI – Property contracted to be acquired by the Group in the PRC	
18. Dorsett Regency CBD, Zhongshan, Xintiecheng Hotel Block A, No. 107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	No commercial value
Sub-total:	No commercial value
Group VII – Property held by the Group for future development in Singapore	
19. Land Lots 777W and 782P, Town Subdivision (TS) 5 At New Bridge Road, Singapore	SGD85,000,000 (equivalent to approximately HK\$472,600,000)
Sub-total:	SGD85,000,000 (equivalent to approximately HK\$472,600,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group VIII – Properties leased by the Group in the PRC	
20. Unit 05, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
21. Units 02, 08 and 09, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
22. Unit 1202, Block C, Wanhe Yuan, No. 1 Babao Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
Sub-total:	No commercial value

Capital value in
existing state as at
30 June 2010

Property

Group IX – Property leased by the Group in Singapore

23. 350 Orchard Road,
Unit No. #21-07,
Shaw House,
Singapore

No commercial value

Sub-total: No commercial value

Grand total: HK\$8,871,000,000

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
1. Central Park Hotel, No. 263 Hollywood Road, Sheung Wan, Hong Kong Inland Lot No. 8412 and the Remaining Portion of Section A of Inland Lot No. 568	<p>The property comprises a 24-storey hotel providing 142 guest rooms, a restaurant, a coffee lounge and hotel administration offices. The property was completed in 1998 and renovated in 2005 and 2007 respectively.</p> <p>The property has a total gross floor area of approximately 4,745.06 sq.m. (51,076 sq.ft.).</p> <p>The site area of the property is approximately 317.02 sq.m. (3,412 sq.ft.).</p> <p>Inland Lot No. 568 is held under a Government Lease for a term of 999 years from 8 March 1858. The current Government rent payable for Section A of Inland Lot No. 568 is HK\$38 per annum.</p> <p>Inland Lot No. 8412 is held under Conditions of Sale No. 11265 for a term of 75 years from 30 October 1978 renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$1,000 per annum.</p>	<p>Portion of the property is let for a term of 3 years from 30 September 2008 to 29 September 2011 at a monthly base rent of HK\$63,000.</p> <p>The remainder of the property is operated by the Group as a hotel.</p>	HK\$429,000,000

Notes:

- (1) The registered owners of the property are Caragis Limited and Vicsley Limited, wholly owned subsidiaries of the Company.
- (2) The property is subject to two Modification Letters.
- (3) The property is subject to an Offensive Trade Licence.
- (4) The property is subject to two Debentures to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (5) The property is zoned for "Residential (Group A) 7" uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/24.
- (6) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
2. Cosmopolitan Hotel, No. 387 Queen's Road East, Wanchai, Hong Kong	The property comprises a 22-storey hotel providing 454 guest rooms, a restaurant, a coffee lounge, hotel administration offices and loading and unloading areas.	Part of the 1st floor of the property is let for a term of 3 years from 1 October 2009 to 30 September 2012 at a monthly rent of HK\$200,000.	HK\$1,622,000,000
The Remaining Portion of Inland Lot No. 1578	The property was completed in 1978 and being renovated in 2004.	A tour counter is let for a term of 2 years from 1 April 2009 to 30 September 2011 at a monthly rent of HK\$25,500.	
	The property has a total gross floor area of approximately 15,895.10 sq.m. (171,095 sq.ft.).	An advertising space and a mobile phone base station are let under 2 licences with the latest term due to expire on 21 January 2012 at a total monthly fee of about HK\$112,000.	
	The site area of the property is approximately 1,092.73 sq.m. (11,762 sq.ft.).	The remainder of the property is operated by the Group as a hotel.	
	The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$82,800 per annum.		

Notes:

- (1) The registered owner of the property is Cosmopolitan Hotel Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter.
- (3) The property is subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (4) The property is zoned for "Commercial" uses under Wong Nai Chung Outline Zoning Plan No. S/H7/14.
- (5) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
3. Cosmo Hotel, No. 375 Queen's Road East, Wanchai, Hong Kong Sub-section 1 of Section A of Inland Lot No. 1578	<p>The property comprises a 24-storey plus a lower ground floor hotel providing 142 guest rooms. The property was completed in 1997 and renovated in 2005.</p> <p>The property has a total gross floor area of approximately 5,546.17 sq.m. (59,699 sq.ft.).</p> <p>The registered site area of the property is approximately 380.32 sq.m. (4,093.80 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$359,280 per annum.</p>	<p>Portion of the property on the ground floor is let for a term of 2 years from 1 February 2010 to 31 January 2012 at a monthly rent of HK\$80,000.</p> <p>A tour counter is let for a term of 2 years and 6 months from 1 April 2009 to 30 September 2011 at a monthly rent of HK\$8,500.</p> <p>Various mobile phone base stations and antennae are let under various licences with the latest term due to expire on 6 February 2012 at a total monthly fee of about HK\$168,000.</p> <p>The remainder of the property was operated by the Group as a hotel.</p>	HK\$490,000,000

Notes:

- (1) The registered owner of the property is Grand Expert Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a No-objection Letter.
- (3) The property is subject to a Modification Letter.
- (4) The property is also subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (5) The property is zoned for "Commercial" uses under Wong Nai Chung Outline Zoning Plan No. S/H7/14.
- (6) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong Inland Lot No. 8852	<p>The property comprises a 36-storey hotel providing 162 guest rooms completed in 2005.</p> <p>The property has a total gross floor area of approximately 5,645.94 sq.m. (60,773 sq.ft.).</p> <p>The registered site area of the property is approximately 377 sq.m. (4,058 sq.ft.).</p> <p>The property is held under Conditions of Exchange No. 12569 for a term of 50 years from 27 May 2000. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>Portion of the property is let under two tenancies with the latest term due to expire on 31 August 2011 at a total monthly base rent of HK\$102,000.</p> <p>The remainder of the property is operated by the Group as a hotel.</p>	HK\$797,000,000

Notes:

- (1) The registered owner of the property is The Hotel of Lan Kwai Fong Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter.
- (3) The property is zoned for "Residential (Group A) 10" uses under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/24.
- (4) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
5. Dorsett Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon	The property comprises a 23-storey hotel providing 141 guest rooms completed in 2005.	The property is operated by the Group as a hotel.	HK\$250,000,000
Kowloon Inland Lot No. 6374	The property has a total gross floor area of approximately 3,210 sq.m. (34,554 sq.ft.). The registered site area of the property is approximately 356.74 sq.m. (3,840 sq.ft.). The property is held under a Government Lease for a term of 75 years from 16 March 1953 renewable for a further term of 75 years. The current Government rent payable for the property is HK\$176 per annum.		

Notes:

- (1) The registered owner of the property is Double Advance Group Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group E)" uses under Mongkok Outline Zoning Plan No. S/K3/27.
- (4) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
6. Dorsett Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon Kowloon Inland Lot Nos. 7429, 9701, 9705, 9727, 9769 and 9944	<p>The property comprises a 20-storey plus a basement hotel providing a total of 268 guest rooms, a restaurant, hotel's administration offices and loading and unloading areas. The property was completed in 1993 and renovated in 2009.</p> <p>The property has a total gross floor area of approximately 6,065.26 sq.m. (65,286 sq.ft.).</p> <p>The registered site area of the property is approximately 501.86 sq.m. (5,402 sq.ft.).</p> <p>Kowloon Inland Lot No. 7429 is held under Conditions of Regrant No. 6282 for a term of 150 years from 2 February 1885. The remaining lots are held under Conditions of Regrant Nos. 9594, 9613, 9840, 9835 and 10170 for the same term of 150 years from 20 June 1898. The current aggregate Government rent payable for the lots is HK\$372 per annum.</p>	<p>The basement is let for a term of 3 years from 1 September 2008 to 31 August 2011 at a monthly rent of HK\$160,000.</p> <p>A tour counter is let for a term of one year from 1 July 2010 to 30 June 2011 at a monthly rent of HK\$8,000.</p> <p>The remainder of the property is operated by the Group as a hotel.</p>	HK\$542,000,000

Notes:

- (1) The registered owner of the property is Charter Joy Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all money in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group A)" uses under Yau Ma Tei Outline Zoning Plan No. S/K2/20.
- (4) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
7. Dorsett Far East Hotel, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories Part of the shares of and in Lot No. 2158 in Demarcation District No. 449	<p>The property comprises portion of ground floor and 6th to 17th floors of a 17-storey building providing a total of 240 guest rooms. The property was completed in 1966 and renovated in 2006.</p> <p>The total gross floor area of the property is approximately 5,180.32 sq.m. (55,761 sq.ft.).</p> <p>The registered site area of the property is approximately 631.74 sq.m. (6,800 sq.ft.)</p> <p>The property is held under New Grant No. 3915 for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is operated by the Group as a hotel.	HK\$336,000,000

Notes:

- (1) The registered owner of the property is Complete Delight Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all money in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group A)" uses under Tsuen Wan Outline Zoning Plan No. S/TW/26.
- (4) The property is granted with a licence under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
8. Project under development to be known as "Dorsett Regency Kennedy Town, Hong Kong", Nos. 12-22 Davis Street, Kennedy Town, Hong Kong	The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 461.35 sq.m. (4,966 sq.ft.). The property will provide 217 guest rooms and is scheduled to be completed in November 2010.	The property is under construction.	HK\$481,000,000
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	Upon completion, the total gross floor area of the property will be approximately 6,807.08 sq.m. (73,271 sq.ft.). 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.		

Notes:

- (1) The registered owner of the property is Hong Kong (SAR) Hotel Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and a Supplement to Security Documents in favour of Hang Seng Bank Limited.
- (3) The property is subject to a Licence for Removal of Trades in Offensive Trade Clause.
- (4) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$134,000,000 and the cost expended up to 30 June 2010 was about HK\$85,000,000. We have taken into account such amounts in our valuation.
- (5) The capital value of the property when completed as at 30 June 2010 was HK\$597,000,000.
- (6) The property is zoned for "Residential (Group A)" uses under Kennedy Town & Mount Davis Outline Zoning Plan No. S/H/17.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010												
9. Project under development to be known as "The Mercer by Kosmopolitan", Nos. 27-31 Jervois Street, Sheung Wan, Hong Kong Marine Lot No. 9B, Section A of Inland Lot No. 871, Section A of Inland Lot No. 872	<p>The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 235.04 sq.m. (2,530 sq.ft.). The property will provide 55 guest rooms and is scheduled to be completed in October 2010.</p> <p>Upon completion, the total gross floor area of the property will be approximately 3,524.82 sq.m. (37,941 sq.ft.).</p> <p>The property is held under various Government Leases for terms of 999 years and the commencement of lease term and Government rent per annum are as follows:</p> <table border="1"> <thead> <tr> <th>Lot No.</th> <th>Commencement of Lease Term</th> <th>Government Rent</th> </tr> </thead> <tbody> <tr> <td>M.L. 9B</td> <td>15 January 1852</td> <td>£5.12s 4D</td> </tr> <tr> <td>I.L. 871 sA</td> <td>26 June 1843</td> <td>HK\$12.6</td> </tr> <tr> <td>I.L. 872</td> <td>26 June 1843</td> <td>HK\$21.54</td> </tr> </tbody> </table>	Lot No.	Commencement of Lease Term	Government Rent	M.L. 9B	15 January 1852	£5.12s 4D	I.L. 871 sA	26 June 1843	HK\$12.6	I.L. 872	26 June 1843	HK\$21.54	The property is under construction.	HK\$222,000,000
Lot No.	Commencement of Lease Term	Government Rent													
M.L. 9B	15 January 1852	£5.12s 4D													
I.L. 871 sA	26 June 1843	HK\$12.6													
I.L. 872	26 June 1843	HK\$21.54													

Notes:

- (1) The registered owner of the property is Excel Chinese International Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and a Supplement to Security Documents in favour of Hang Seng Bank Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$72,000,000 and the cost expended up to 30 June 2010 was about HK\$49,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$290,000,000.
- (5) The property is zoned for "Commercial" uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/24.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
10.	Cosmo Kowloon Hotel, Nos. 35-43 Ivy Street (now known as No. 88 Tai Kok Tsui Road), Tai Kok Tsui, Kowloon Kowloon Inland Lot No. 8050	The property comprises a 25-storey hotel providing a total of 285 rooms which comes into operation in July 2010. The property has a total gross floor area of approximately 6,224.62 sq.m. (67,002 sq.ft.). The registered site area of the property is about 513.56 sq.m. (5,528 sq.ft.). The property is held under Conditions of Sale No. 6812 for a term of 75 years from 28 August 1961 and renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$254 per annum.	The property has been in operation since July 2010. However, as at the date of valuation, the property was still under internal decoration and fitting out.	HK\$537,000,000

Notes:

- (1) The registered owner of the property is Ruby Way Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and Mortgage to secure all moneys in respect of general banking facilities and a Building Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property is subject to a Modification Letter.
- (4) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$110,000,000 and the cost expended up to 30 June 2010 was about HK\$108,000,000. We have taken into account such amounts in our valuation.
- (5) The capital value of the property when completed as at 30 June 2010 was HK\$539,000,000.
- (6) The property is zoned for "Other Specified Uses (Business)" uses under Mongkok Outline Zoning Plan No. S/K3/27.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
11. Project under development to be known as “Dorsett Regency Kwun Tong, Hong Kong”, No. 84 Hung To Road, Kwun Tong, Kowloon Kwun Tong Inland Lot No. 162	<p>The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 929.02 sq.m. (10,000 sq.ft.). The property will provide 380 guest rooms and is scheduled to be completed in September 2011.</p> <p>Upon completion, the total gross floor area of the property will be approximately 11,081.06 sq.m. (119,277 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 21 years from 1 July 1959 which has been renewed for a further term of 17 years less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is under construction.	HK\$426,000,000

Notes:

- (1) The registered owner of the property is Everkent Development Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and a Floating Charge and an Assignment of Revenue in favour of Wing Hang Bank, Limited.
- (3) The property is subject to a Modification Letter.
- (4) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$210,000,000 and the cost expended up to 30 June 2010 was about HK\$68,000,000. We have taken into account such amounts in our valuation.
- (5) The capital value of the property when completed as at 30 June 2010 was HK\$673,000,000.
- (6) The property is zoned for “Other Specified uses (Business)” uses under Kwun Tong South Outline Zoning Plan No. S/K14S/16.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
12. Project under development to be known as "Dorsett Regency Kwai Chung, Hong Kong", No. 659 Castle Peak Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 193	<p>The property comprises an industrial building which is erected on a parcel of land with a registered site area of about 2,322.56 sq.m. (25,000 sq.ft.).</p> <p>The property was completed in 1981 and is currently under redevelopment. According to the Group, the property is planned to be redeveloped into a hotel providing 506 guest rooms. The property is scheduled to be completed in October 2011.</p> <p>Upon completion, the total gross floor area of the property will be approximately 19,944.28 sq.m. (214,680 sq.ft.).</p> <p>The property is held under New Grant No. 4841 for a term of 99 years from 1 July 1898 less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is under redevelopment.	HK\$270,000,000

Notes:

- (1) The registered owner of the property is Panley Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$261,000,000 and the cost expended up to 30 June 2010 was about HK\$22,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$962,000,000.
- (5) The property is zoned for "Other Specified Uses (Business)" uses under Kwai Chung Outline Zoning Plan No. S/KC/23.
- (6) The Group has made an application for modification of the Government Lease to permit redevelopment of the property into the proposed hotel.

VALUATION CERTIFICATE

Group III – Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
13. A portion of the retail podium (levels 1, 3 and 4) of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and an 18-storey hotel building. They were completed in 2000 and 2008 respectively.</p> <p>The property comprises level 1, 3 and 4 of the retail podium with a total gross floor area of approximately 1,779.36 sq.m. (19,153 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	As at the date of valuation, a portion of the property with a gross floor area of 392 sq.m. (4,219 sq.ft.) has been leased to 2 tenants with the latest term expiring on 30 October 2019 of a total monthly rent of approximately RMB68,700.	RMB29,000,000 (equivalent to approximately HK\$33,350,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司), a wholly owned subsidiary of the Company, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.

As advised by the Group, the property comprises portions of the development with a gross floor area of approximately 1,779.36 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.

- (2) According to Business Licence No. 0370671 dated 21 June 2007, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD5,000,000 (with a paid-up capital of USD5,000,000) for a valid operation period from 20 January 2000 to 19 January 2015.
- (3) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 14 August 2009, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.

- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property;
 - (ii) The property is subject to a mortgage in favour of Agricultural Bank of China, Shanghai Fengxian Branch. Ching Chu (Shanghai) Real Estate Development Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent; and
 - (iii) The tenancy contracts are legal, valid and binding on both parties under PRC laws.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
14. Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, levels 3 to 7 and 9) and office portion (portion of level 10, whole of levels 17 and 18) of Hongkong and Macao Center No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	Hongkong and Macao Center is erected upon a parcel of land with a site area of 5,338.89 sq.m. (57,468 sq.ft.) completed in 2000. The property comprises the retail and office portions with a total gross floor area of 38,406.83 sq.m. (413,411 sq.ft.). The land use rights of the property have been granted for a term due to expire on 15 July 2043 for composite use.	As at the date of valuation, portion of the property with a gross floor area of 31,870.30 sq.m. (328,542 sq.ft.) has been leased to various tenants with the latest term expiring on 30 November 2021. Portion of the property with a gross floor area of 100 sq.m. (1,076 sq.ft.) has been leased to Wuhan Li Yue Hotel Management Co., Ltd. (武漢麗悅酒店管理有限公司), a wholly owned subsidiary of the Company, for a term of 20 years from 1 April 2009 to 31 March 2029. The remaining portion of the property is vacant.	RMB291,000,000 (equivalent to approximately HK\$334,650,000)

Notes:

- (1) According to 13 Building Ownership Certificates issued by Wuhan Municipal State-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理局) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, has been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司), a wholly owned subsidiary of the Company. The details of the gross floor area of the property are as follows:

Certificate No.	Level	Gross Floor Area (sq.m.)
Wu Fang Quan Zheng Shi Zi Di No. 2007029525	1 (unit 1001)	393.00
Wu Fang Quan Zheng Shi Zi Di No. 2007029527	1 (unit 1002)	2,794.45*
	mezzanine level 1	1,524.38
Wu Fang Quan Zheng Shi Zi Di No. 2007029529	2	3,596.64
	mezzanine level 2	3,056.98
Wu Fang Quan Zheng Shi Zi Di No. 2007029530	3	3,931.16
Wu Fang Quan Zheng Shi Zi Di No. 2007029531	4	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029536	5	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029516	6	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029517	7	3,556.98
Wu Fang Quan Zheng Shi Zi Di No. 2007029519	9	3,663.57
Wu Fang Quan Zheng Shi Zi Di No. 2007029521	10	3,634.63*
Wu Fang Quan Zheng Shi Zi Di No. 2007029546	17	1,084.47
Wu Fang Quan Zheng Shi Zi Di No. 2007029547	18	589.40

* The property comprises portions of Levels 1 (Unit 1002) and 10 with gross floor areas of 2,489.08 sq.m. and 2,735.97 sq.m. respectively.

- (2) According to State-owned Land Use Rights Certificate No. Wu Guo Yong (2008) Di No. 88 dated 28 February 2008, issued by Wuhan Municipal People's Government (武汉市人民政府), the land use rights of Plot No. A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. have been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) for a term due to expire on 15 July 2043 for composite use.
- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established with a registered capital of USD29,800,000 for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Wuhan Dorsett Far East Hotel Management Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property;
 - (ii) The property is subject to a mortgage in favour of DBS Bank (China) Limited (Guangzhou Branch). Wuhan Far East Dorsett Hotel Management Co., Ltd. will be entitled to lease, transfer, and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent; and
 - (iii) The tenancy contracts are legal, valid and binding on both parties under PRC laws.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| Building Ownership Certificate | Yes |
| State-owned Land Use Rights Certificate | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group IV - Hotel properties owned and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
15. Wuhan Cosmopolitan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16, and car park (portion of basement) of Hongkong and Macao Center), No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p>Hongkong and Macao Center is erected on a parcel of land with a site area of 5,338.89 sq.m. (57,468 sq.ft.) completed in 2000.</p> <p>The property comprises the hotel portion of the building with a gross floor area of 28,899.82 sq.m. (311,078 sq.ft.) providing 384 guest rooms.</p> <p>The land use rights of the property have been granted for a term expiring on 15 July 2043 for composite use.</p>	The property is operated by the Group as a hotel.	RMB378,000,000 (equivalent to approximately HK\$434,700,000)

Notes:

- (1) According to 10 Building Ownership Certificates issued by Wuhan Municipal Stated-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理局) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiang'an District, has been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) a wholly owned subsidiary of the Group. The details are as follows:

Certificate No.	Level	Gross Floor Area (sq.m.)
Wu Fang Quan Zheng Shi Zi Di No. 2007029523	basement	3,422.82
Wu Fang Quan Zheng Shi Zi Di No. 2007029527	1 (Unit 1002)	2,794.45*
Wu Fang Quan Zheng Shi Zi Di No. 2007029518	8	3,589.41
Wu Fang Quan Zheng Shi Zi Di No. 2007029521	10	3,634.63*
Wu Fang Quan Zheng Shi Zi Di No. 2007029534	11	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029541	13	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029539	14	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029538	12	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029542	15	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029544	16	3,447.26

- * The property comprises portions of Levels 1 (Unit 1002) and 10 with gross floor areas of 305.37 sq.m. and 898.66 sq.m. respectively.

- (2) According to State-owned Land Use Rights Certificate No. Wu Guo Yong (2008) Di No. 88 dated 28 February 2008, issued by Wuhan Municipal People's Government (武汉市人民政府), the land use rights of Plot Nos. A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. have been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) for a term due to expire on 15 July 2043 for composite use.
- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established with a registered capital of USD29,800,000 for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Wuhan Dorsett Far East Hotel Management Co., Ltd. lawfully owns the land use rights and building ownership rights of the property and is entitled to occupy and use the property; and
- (ii) The property is subject to a mortgage in favour of DBS Bank (China) Limited (Guangzhou Branch). Wuhan Dorsett Far East Hotel Management Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| Building Ownership Certificate | Yes |
| State-owned Land Use Rights Certificate | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group IV - Hotel properties owned and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
16. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and an 18-storey hotel building. They were completed in 2000 and 2008 respectively.</p> <p>The property comprises the 2nd floor of the retail podium, arcade on the first floor, underground car parks and the hotel portion of the development with a gross floor area of 14,014.27 sq.m. (150,850 sq.ft.) providing 264 rooms which was completed in 2008 respectively.</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	The hotel portion is operated by the Group as a hotel.	RMB418,000,000 (equivalent to approximately HK\$480,700,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司), a wholly owned subsidiary of the Group, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.

As advised by the Group, the property comprises portions of the development with a gross floor area of 14,014.27 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.

- (2) According to Business Licence No. 0370671 dated 21 June 2007, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD5,000,000 (with a paid-up capital of USD5,000,000) for a valid operation period from 20 January 2000 to 19 January 2015.
- (3) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 14 August 2009, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.

- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property; and
 - (ii) The property is subject to a mortgage in favour of Agricultural Bank of China Shanghai Fengxian Branch. Ching Chu (Shanghai) Real Estate Development Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:
- | | |
|--------------------------------------|-----|
| Certificate of Real Estate Ownership | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group V – Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
17. Project under development to be known as "Hotel Kosmopolito City Centre, Chengdu", Nos. 124-177 Xiyulong Road, Qingyang District, Chengdu, Sichuan Province, the PRC	The property comprises a hotel to be developed upon a parcel of land with a total site area of approximately 5,865.62 sq.m. (63,138 sq.ft.). The property has a total planned gross floor area of approximately 67,616.94 sq.m. (727,829 sq.ft.) with details as follows:	The property is under construction.	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
中華人民共和國 四川省成都市 青羊區西玉龍街 124-177號 成都麗悅酒店			
		Approximate Planned Gross Floor Area (sq.m.)	
	Planned Portion		
	Above ground	51,478.41	
	Under ground	16,138.53	
	Total:	<u>67,616.94</u>	

According to the Group, the property is scheduled to be completed in the 4th quarter of 2010.

The land use rights of the property have been granted for a term expiring on 22 September 2047 for hotel and restaurant uses.

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate Cheng Guo Yong (2009) Di No. 156 dated 19 February 2009, the land use rights of a parcel of land with a site area of approximately 5,865.62 sq.m. have been vested in Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. (遠東帝豪酒店管理(成都)有限公司), a wholly owned subsidiary of the Company, for a term expiring on 22 September 2047 for hotel and restaurant uses.
- (2) According to the Survey report of real estate prepared by Sichuan Survey Technology Service Centre, the gross floor area of the property is approximately 67,616.94 sq.m.
- (3) According to Construction Land Planning Permit Cheng Gui Guan (2000) Di No. 1522 issued by Chengdu Urban Planning Bureau on 14 August 2000, the proposed construction land use of the property complies with the town planning requirements and permission for construction of the land is granted.

- (4) According to Planning Permit for Construction Works No. Cheng Gui Guan (2000) Di No. 1544 issued by Chengdu Urban Planning Bureau on 14 July 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the construction works requirements and have been permitted.
- (5) According to Chengdu Permit for Commencement of Construction Works No. Cheng Jian Shi Jian Zi (1998) No. 0206 issued by Chengdu Construction Committee on 18 September 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the requirements for commencement of works and have been permitted.
- (6) According to Business Licence No. 510100400020507 《企業法人營業執照》, Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. was established on 30 October 2006 as a limited company with a registered capital of USD38,000,000.
- (7) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about RMB483,000,000 and the cost expenses up to 30 June 2010 was about RMB339,000,000.
- (8) The capital value of the property when completed as at 30 June 2010 was RMB900,000,000 (equivalent to approximately HK\$1,035,000,000).
- (9) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. lawfully owns the land use rights of the property and is entitled to occupy and use the property; and
- (ii) The property is subject to a mortgage in favour of HSBC Bank (China) Company Limited (Chengdu Branch) and Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (10) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Business Licences | Yes |

VALUATION CERTIFICATE

Group VI – Property contracted to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
18. Dorsett Regency CBD, Zhongshan, Xintiecheng Hotel Block A, No. 107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	The property comprises a 31-storey hotel erected on a 9-storey podium which is under renovation and scheduled to commence operation in September 2011. Upon renovation, the property will provide a total gross floor area of approximately 42,463.00 sq.m. (457,072 sq.ft.) with details as follows:	The property is under renovation.	No commercial value
中華人民共和國 廣東省中山市西區 中山一路107號 新鐵城酒店A座 中山麗悅酒店	Portion	Gross Floor Area (sq.m.)	
	Commercial	13,607.00	
	Hotel	26,103.00	
	Others	1,108.00	
	Basement	1,645.00	
	Total:	42,463.00	
	The land use rights of the property have been agreed to be transferred to the Group.		

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the Certificate of Real Estate Ownership had not been obtained by the Group. Had the valid Certificate of Real Estate Ownership been issued to the Group and all land premium and related fees for the grant of the certificate been fully settled, the market value of the property as at the valuation date would be RMB220,000,000 (equivalent to approximately HK\$253,000,000).
- (2) According to Guangdong Certificate of Real Estate Ownership No. 4851081 issued by the People's Government of Guangdong on 30 April 1997, the land use rights and building ownership of the property, comprising a total gross floor area of approximately 42,635.336 sq.m., have been vested in Industrial and Commercial Bank of China, Zhongshan Branch.
- (3) According to the Foshan Auction Confirmation 08-02 entered between into Foshan Fajian Auction Limited (Party A) and Ching Chu (Shanghai) Property Development Co., Ltd. (上海錦秋房地產有限公司), a wholly owned subsidiary of the Company (Party B) dated 29 January 2008, the subject building ownership under the Real Estate Ownership No. 4851081 (Block A of Xintiecheng Hotel Zhongshan) with a total gross floor area of 42,635.336 sq.m. is auctioned by Party A and agreed to be sold to Party B at a price of RMB121,500,000 while the land use rights of the property are still vested in Industrial and Commercial Bank of China, Zhongshan Branch.

- (4) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 14 August 2009, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.
- (5) According to Business Licence No. 310000400169600 dated 5 September 2007, Ching Chu (Shanghai) Property Development Co., Ltd. was established as a limited liability company on 24 April 1997 with a registered capital of USD17,000,000 for a valid operation period from 24 April 1997 to 23 April 2067.
- (6) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) A portion of the auction price being RMB95,000,000 has been paid. The balance of the auction price being RMB26,500,000 has not been fully settled; and
- (ii) Ching Chu (Shanghai) Property Development Co., Ltd. will transfer the property to Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司) when it submits the application for the Certificate of Real Estate Ownership.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:

Auction Confirmation	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Property held by the Group for future development in Singapore

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
19. Land Lots 777W and 782P, Town Subdivision (TS) 5 at New Bridge Road, Singapore	<p>The subject property comprises a development site with a total site area of 4,650.40 sq.m. (50,057 sq.ft.) upon which a 10-storey hotel providing 285 guest rooms and a 6-storey residential block providing 68 units are proposed to be developed.</p> <p>Upon completion, the total gross floor area of the property will be approximately 16,536.68 sq.m. (178,001 sq.ft.).</p> <p>The term of lease of the property is 99 years with effect from 7 December 2009.</p>	The property is currently a vacant site.	SGD85,000,000 (equivalent to approximately HK\$472,600,000)

Notes:

- (1) The registered owner of the property is Tang Hotel Investments Pte Ltd., a wholly owned subsidiary of the Company.
- (2) Caveats IB/633521L and IB/633519E have been lodged by The Hongkong And Shanghai Banking Corporation Limited against Part of Lot 782P TS 5 on 9 December 2009 and 10 December 2009 respectively.
- (3) Caveat IB/633520B has been lodged by The Hongkong and Shanghai Banking Corporation Limited against Lot 777W TS 5 on 10 December 2009.

VALUATION CERTIFICATE

Group VIII – Properties leased by the Group in the PRC

	Property interest	Description and tenure	Capital value in existing state as at 30 June 2010
20.	Unit 05, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises an office unit on 16th floor of Luoma International Plaza.</p> <p>The property has a gross floor area of 63 sq.m. (678 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term from 9 March 2010 to 8 September 2010 at a monthly rent of RMB1,386.22 for office use.</p> <p>According to the PRC legal opinion, the lease is legal and valid and non-registration of the lease will not affect its validity.</p>	No commercial value
21.	Units 02, 08 and 09, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises two office units on 16th floor of Luoma International Plaza.</p> <p>The property has a total gross floor area of 210 sq.m. (2,260 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term from 1 February 2010 to 31 January 2011 at a monthly rent of RMB4,620 for office use.</p> <p>According to the PRC legal opinion, the lease is legal and valid and non-registration of the lease will not affect its validity.</p>	No commercial value
22.	Unit 1202, Block C, Wanhe Yuan, No. 1 Babao Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises a residential unit on 12th floor of a 29 storey residential building with a gross floor area of 128.10 sq.m. (1,379 sq.ft.) completed in 2001.</p> <p>The property is currently leased by the Group from an independent third party for a term from 1 March 2010 to 28 February 2011 at a monthly rent of RMB2,400 for residential use.</p> <p>According to the PRC legal opinion, as the landlord has not provided any proof of ownership or his right to let the property, there is a risk of the tenancy agreement being early terminated if a third party asserts his right.</p>	No commercial value

Group IX – Property leased by the Group in Singapore

	Property interest	Description and tenure	Capital value in existing state as at 30 June 2010
23.	350 Orchard Road, Unit No. #21-07, 5Shaw House, Singapore	<p>The property comprises an office unit on 21st floor with a gross floor area of 106.19 sq.m. (1,143 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term of 2 years from 1 April 2010 to 31 March 2012 at a monthly rent of SGD6,400.80 and a monthly service charge of SGD1,371.60.</p> <p>The Group has an option to renew for a period of one year.</p>	No commercial value

The following is the text of a letter and valuation certificates received from Raine & Horne International Zaki + Partners Sdn. Bhd., an independent property valuer, in connection with its opinion of values of the property interests as at 30 June 2010 to be held by Kosmopolito Hotels International Limited and its subsidiaries ("Kosmopolito Group"), being subsidiaries of Far East Consortium International Limited, prepared for the purpose of incorporation in this circular.

Raine & Horne International Zaki + Partners Sdn. Bhd.

Perpetual 99
Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur
Malaysia

Far East Consortium International Limited
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

2 September 2010

Dear Sirs,

RE: REPORT AND VALUATION OF A THIRTY (30) STOREY 4-STAR HOTEL BUILDING WITH THREE (3) BASEMENT CAR PARKS KNOWN AS DORSETT REGENCY HOTEL BEARING POSTAL ADDRESS DORSETT REGENCY HOTEL, 172, JALAN IMBI, 55100 KUALA LUMPUR;

179 ROOM 4 STAR HOTEL SITUATED AT 21ST FLOOR TO 30TH FLOOR AND PART OF THE LOBBY AREA WITHIN A THIRTY THREE (33) STOREY HOTEL & SERVICED APARTMENTS BUILDING KNOWN AS MENARA MAYTOWER BEARING POSTAL ADDRESS NO. 7, JALAN MUNSHI ABDULLAH, 50100 KUALA LUMPUR;

252 ROOM 3 STAR HOTEL AND PART OF THE LOBBY AREA WITHIN A TEN (10) STOREY HOTEL/SERVICE APARTMENT BUILDING KNOWN AS DORSETT JOHOR HOTEL, MALAYSIA;

A 5-STAR HOTEL BUILDING CONSISTING OF THREE (3) STOREY PODIUM WITH EIGHT (8) STOREY AND FOURTEEN (14) STOREY HOTEL TOWERS AS WELL AS A DOUBLE STOREY RESTAURANT AND FOUR (4) STOREY CAR PARKS BUILDING KNOWN AS GRAND DORSETT SUBANG HOTEL, MALAYSIA;

A NINE (9) STOREY 5-STAR HOTEL BUILDING (178 ROOMS) WITH A SEMI-BASEMENT CAR PARKS KNOWN AS GRAND DORSETT LABUAN HOTEL, MALAYSIA.

1. INSTRUCTION

In pursuance to the instruction for us to carry out market valuations of the above captioned properties to be held by Kosmopolito Hotels International Limited and its subsidiaries ("Kosmopolito Group"), being subsidiaries of Far East Consortium International Limited (the "Company" or "Client") and its subsidiaries (together referred to as the "Group") situated in Malaysia for the purpose of inclusion in the Company's circular 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, we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market value ("Market Value") of the properties as at 30 June 2010 (referred to as the "valuation date").

2. BASIS OF VALUATION

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

3. METHOD OF VALUATION

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

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

4. ASSUMPTIONS

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

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

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

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

5. TITLE INVESTIGATION

We have been provided with extracts of title documents relating to the properties. In addition, we have caused searches to be made at the appropriate government registries of properties. However, we have not searched the original documents to verify ownership nor to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only and no responsibility regarding title to the properties is assumed in this report.

6. LIMITING CONDITIONS

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

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

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

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

No allowance has been made in our valuation for any charge, mortgage or amount owing on any properties interest nor expense or taxation which may incurred in effecting a sale. We have assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their value.

7. CURRENCY

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

8. REMARKS

The properties' interests have been valued as follows:-

Properties' Interests	Market Values as at 30 June 2010
1. DORSETT REGENCY HOTEL KUALA LUMPUR 172, Jalan Imbi, 55100 Kuala Lumpur	RM140,000,000.00
2. MAYTOWER HOTEL No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur	RM77,000,000.00
3. DORSETT JOHOR HOTEL Mukim of Plentong, District of Johor Bahru, State of Johor.	RM76,000,000.00
4. GRAND DORSETT SUBANG HOTEL Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan	RM253,557,000.00 **RM312,000,000.00
5. GRAND DORSETTE LABUAN HOTEL No. 462, Jalan Merdeka, 87029 Federal Territory of Labuan.	RM70,000,000.00
TOTAL MARKET VALUE	
i) On 'as is' basis	RM616,557,000.00
ii) ** ON THE ASSUMPTION THAT THE PROPOSED 125 ADDITIONAL ROOMS LOCATED ON THIRTEENTH TO SEVENTEENTH FLOORS ARE FULLY COMPLETED AND CERTIFIED FIT FOR OCCUPANCY AND THENCE THE GRAND DORSETT SUBANG HOTEL (478 ROOMS) TOGETHER WITH THE EXCESS LAND (6.41 ACRES) WHICH HAS A DEVELOPMENT PROPOSAL AND IS SUBMITTED FOR APPROVAL TO THE RELEVANT AUTHORITY	RM675,000,000.00

"IF ANY PARTY WISHES TO RELY ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED".

We enclosed herewith our summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Raine & Horne International Zaki + Partners Sdn. Bhd.
Noraini Binti Jaafar Sidek
Registered Valuer (MIS)
Reg. No. V-523
Director

Note:

Noraini Binti Jaafar Sidek is a Member of the Malaysia Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 18 years experience in valuation properties in Malaysia for listed companies.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
1. A 320 room thirty (30) storey 4-star hotel building with three (3) level of basement car parks bearing postal address Dorsett Regency Hotel Kuala Lumpur. 172, Jalan Imbi, 55100 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 1,270 sq. metres (13,670 sq. ft.)</p> <p>The total gross floor area of the building is about 27,752.58 sq. metres (298,726. sq. ft.).</p> <p>The approximate age of the hotel building is 13 years.</p> <p>The land is of freehold interest and to be used for commercial building only.</p> <p>The land is held under Lot No. 1300 Seksyen 0067 (formerly known as P.T. No. 62) held under Title No. GRN 49963, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur</p> <p>Annual government rent is RM5,842.00.</p>	<p>The subject property is currently managed by the owner, Dorsett Regency Hotel (M) Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 79%.</p>	RM140,000,000.00
<i>Notes:</i>			
(i) The ownership of the property is Dorsett Regency Hotel (M) Sdn, Bhd. (Company No:199686-K).			
(ii) The land is currently charged to AFFIN ISLAMIC BANK BHD. dated 17 July 2006.			
(iii) A lienholder's caveat has been entered by AFFIN ISLAMIC BANK BERHAD on the land dated 23 January 2007.			
(iv) Part of the land (360 sq. ft.) has been leased to Tenaga Nasional Berhad for 30 years commencing from 8/2/2000 until 7/2/2030 for the purposes of substation.			
(v) The property is situated within an area zoned for commercial use.			
(vi) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:			
Certificate of Real Estate Ownership			Yes
Business Licence			Yes

VALUATION CERTIFICATE

Properties	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
2. 179 room 4-star hotel situated at 21st Floor to 30th Floor and part of the lobby area within 33 storey hotel & serviced residences building bearing postal address Menara Maytower, No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur. The subject property is sited fronting Jalan Munshi Abdullah, Kuala Lumpur	Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property. Site Area: 2,162 sq. metres (23,271.55 sq. ft.) Hotel Floor Area: 5,158.17 sq. metres (55,522 sq. ft.) Lobby Area: 465 sq. metres (5,007 sq. ft.) The approximate age of the hotel building is 3 years. The land is of freehold interest and to be used for constructing serviced apartment building including residences/shops/club house which are to be constructed in accordance with plans approved by the Local Authorities. The land is held under Lot No. 301 Seksyen 40 held under Title No. GRN 54118, Town and District of Kuala Lumpur, State of Wilayah Persekutuan KL Annual government rent is RM9,946.00.	The subject property is currently managed by Venue Summit Sdn. Bhd. The occupancy rate of the subject property is about 76%.	RM77,000,000.00
<i>Notes:</i>			
(i) The master title of the property is registered under Mayland Boulevard Sdn. Bhd. (Company No:180306M). The subdivided title for the Hotel has yet to be issued.			
(ii) The land is free from encumbrances except for the Registrar's, Caveats.			
(iii) Three (3) Registrar's Caveats have been entered on the titles.			
(iv) The property is situated within an area zoned for commercial use.			
(v) Venue Summit Sdn. Bhd. is a limited liability company incorporated in Malaysia on 7 April 2006 which is 100% owned by the group.			
(vi) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:			
Certificate of Real Estate Ownership			Yes
Business Licence			Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
3. 252 room 3-star hotel and part of the lobby area within a ten (10) storey hotel/service apartment building known as Dorsett Johor Hotel, Malaysia.	Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property. Site area:56,723 sq. metres (610,561.3 sq. ft)	The subject property is currently managed by Success Range Sdn. Bhd. The average occupancy rate is 75%.	RM76,000,000.00
The subject property is sited off the south-western side of Lebuhraya Pasir Gudang and alongside Jalan Masai Baru, Johor Bahru.	Built Site Area: 4,370 sq. metres (47,038.24 sq. ft.) Hotel Floor Area: 8,804.06 sq. metres (94,766.00 sq. ft.) The approximate age of the hotel building is 5 years. The land is of freehold interest and for the purposes of constructing serviced apartment building including residences/shops/club house which are to be constructed in accordance with plans approved by the Local Authorities". The land is held under Master Lot No. 66270 (formerly PTD No. 101375) held under Title No. GRN 358714 (formerly H.S. (D) 22751), Mukim of Plentong, District of Johor Bahru, State of Johor. Annual government rent is RM238,560.00.		

Notes:

- (i) The master title of the property is registered under Mayland Projects (Johor) Sdn. Bhd. (Company No. 478695-T). The subdivided title for the Hotel is yet to be issued.
- (ii) The land is free from encumbrances.
- (iii) The property is situated within an area zoned for commercial use.
- (iv) Success Range Sdn. Bhd. is a limited liability company incorporated in Malaysia on 18th April 2006 which is 100% owned by the group.
- (v) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
4. A 5-star hotel building consisting of three (3) storey podium with eight (8) storey and fourteen (14) storey hotel towers as well as a double storey restaurant and four (4) storey car parks building bearing postal address Grand Dorsett Subang Hotel, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Areas: Lot 4244 : 19,474 sq. metres (209,616 sq. ft.)</p> <p>Lot 4245 : 18,308 sq. metres (197,065 sq. ft.)</p> <p>The total gross floor area of the building is about 43,264.10 sq. metres (465,691 sq. ft.) with an existing 353 rooms and ON THE ASSUMPTION 478 rooms.</p> <p>The approximate age of the hotel building is 13 years.</p> <p>The land is of freehold interest and to be used for commercial buildings only.</p> <p>The land is held under Lot Nos. 4244 and 4245 held under Title Nos. GRN 38842 and 38843, Mukim of Damansara, District of Petaling, State of Selangor</p> <p>Annual government rent:- Lot 4244 : RM38,734.00</p> <p>Lot 4245 : RM36,415.00</p>	<p>The subject property is currently managed by owner, Subang Jaya Hotel Development Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 60%.</p> <p>The hotel is under internal renovation.</p>	<p>RM253,557,000.00</p> <p>**RM312,000,000.00</p>

Notes:

**** ON THE ASSUMPTION THAT THE PROPOSED 125 ADDITIONAL ROOMS LOCATED ON THIRTEENTH TO SEVENTEENTH FLOORS ARE FULLY COMPLETED AND CERTIFIED FIT FOR OCCUPANCY AND THENCE THE HOTEL (478 ROOMS) TOGETHER WITH THE EXCESS LAND (6.41 ACRES) WHICH HAS A DEVELOPMENT PROPOSAL AND IS SUBMITTED FOR APPROVAL TO THE RELEVANT AUTHORITY.**

"IF ANY PARTY WISHES TO RELY ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED".

- (i) The ownership of the property is Subang Jaya Hotel Development Sdn Bhd; (Company No. 44190-A).
- (ii) Both the lands are charged to AFFIN BANK BERHAD dated 28 March 2008.

(iii) Lot No 4245

The land is partly leased to TENAGA NASIONAL BERHAD for 30 years from 1 February 1987 and expiring on 31 January 2017.

(iv) The property is situated within an area zoned for commercial use.

(v) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership

Yes

Business Licence

Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
5. A nine (9) storey 5-Star hotel building (178 rooms) with a semi-basement car park bearing postal address Grand Dorsett Labuan Hotel, No. 462, Jalan Merdeka, 87029 Federal Territory of Labuan.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Areas: 6,071 sq. metres (65,324 sq. ft.)</p> <p>The total gross floor area of the building is about 21,564.98 sq. metres (232,124 sq. ft.) with a total of 178 rooms.</p> <p>The approximate age of the hotel building is 14 years.</p> <p>The land is of 99 years leasehold interest expiring on 31 December 2090. The unexpired term of the lease is approximately 80 years and to be used for the purpose of a hotel.</p> <p>The land is held under Title No. TL 207531888, Town of Labuan, State of Federal Territory Labuan.</p> <p>Annual government rent:- RM12,141.00</p>	<p>The subject property is currently managed by owner, Merlin Labuan Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 76%.</p>	RM70,000,000.00
<i>Notes:</i>			
(i) The ownership of the property is Merlin Labuan Sdn. Bhd. (Company No. 109695-U).			
(ii) The land is free from encumbrances.			
(iii) The property is situated within an area zoned for commercial use.			
(iv) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:			
Certificate of Real Estate Ownership			Yes
Business Licence			Yes

This Appendix summaries the principal terms of the Kosmopolito Share Option Scheme and does not form, nor is intended to be, part of the Kosmopolito Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Kosmopolito Share Option Scheme.

KOSMOPOLITO SHARE OPTION SCHEME

For the purpose of this appendix only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	the date on which the Kosmopolito Share Option Scheme was conditionally adopted by written resolutions of the Kosmopolito Shareholders and which is subject to the approval of the Shareholders;
“Board of Kosmopolito”	the board of directors of Kosmopolito for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business;
“Date of Grant”	in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board of Kosmopolito resolves to make an offer, or the grant of an Option to a Participant whether or not the Offer is subject to Kosmopolito Shareholders’ approval on the terms of the Kosmopolito Share Option Scheme;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Kosmopolito Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Kosmopolito Shareholder(s)”	shareholder(s) of Kosmopolito;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Kosmopolito Shares pursuant to the Kosmopolito Share Option Scheme and for the time being subsisting;

“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board of Kosmopolito to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group (other than Kosmopolito Group) and Kosmopolito Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of Kosmopolito Group who the Board of Kosmopolito considers, in its sole discretion, have contributed or will contribute to the Kosmopolito Group;
“Subscription Price”	the price per Kosmopolito Share at which a Grantee may subscribe for Kosmopolito Shares on the exercise of an Option pursuant to paragraph (d) below; and
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Hong Kong Companies Ordinance) of Kosmopolito, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Kosmopolito Share Option Scheme proposed to be approved and adopted by ordinary resolution of the Shareholders at the EGM and the Kosmopolito Shareholders.

(a) Purpose

The purpose of the Kosmopolito Share Option Scheme is to reward Participants who have contributed to Kosmopolito Group and to encourage Participants to work towards enhancing the value of Kosmopolito and the Kosmopolito Shares for the benefit of Kosmopolito and the Kosmopolito Shareholders of Kosmopolito as a whole.

(b) Who May Join

The directors of Kosmopolito may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (d) below. An Offer shall remain open for acceptance by the Participant concerned for 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Kosmopolito Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when Kosmopolito receives from the Grantee the Offer letter signed by the Grantee specifying

the number of Kosmopolito Shares in respect of which the Offer is accepted, and a remittance to Kosmopolito of HK\$1.00 as consideration for the grant of the Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board of Kosmopolito, include among either things, (i) the minimum period for which an Option must be held before it can be exercised, and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part, and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(c) Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any director of Kosmopolito, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of Kosmopolito, or any of their respective associates under the Kosmopolito Share Option Scheme or any other share option schemes of Kosmopolito or any of the Subsidiaries shall be subject to the prior approval of the independent non-executive directors of Kosmopolito (excluding independent non-executive directors of Kosmopolito who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive director of Kosmopolito, or any of their respective associates, would result in the Kosmopolito Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Kosmopolito Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Kosmopolito Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Kosmopolito Shareholders (voting by way of poll). We shall send a circular to the Kosmopolito Shareholders in accordance with the Listing Rules and all connected persons shall abstain from voting in favour of the resolution at such general meeting of the Kosmopolito Shareholders.

(d) Subscription Price

The Subscription Price shall be determined by the Board of Kosmopolito in its absolute discretion but in any event shall not be less than the higher of:

- (i) the closing price of the Kosmopolito Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

- (ii) the average closing price of the Kosmopolito Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Kosmopolito Shares.

(e) Maximum Number of the Kosmopolito Shares

- (i) The maximum number of Kosmopolito Shares which may be issued upon exercise of all Options to be granted under the Kosmopolito Share Option Scheme and any other share option schemes of Kosmopolito shall not, in the absence of Kosmopolito Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Kosmopolito Shares in issue on the Listing Date (not taking into account any Kosmopolito Shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Kosmopolito Share Option Scheme and (as the case may be) such other share option schemes of Kosmopolito will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) We may renew the Scheme Mandate Limit at any time subject to prior Kosmopolito Shareholders' approval but in any event, the total number of Kosmopolito Shares which may be issued upon exercise of all Options to be granted under the Kosmopolito Share Option Scheme and any other share option schemes of Kosmopolito under the limit as refreshed must not exceed 10% of the Kosmopolito Shares then in issue as at the date of the Kosmopolito Shareholders' approval of the renewed limit. Options previously granted under the Kosmopolito Share Option Scheme and any other share option schemes of Kosmopolito (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.
- (iii) For the purpose of seeking the approval of Kosmopolito Shareholders, Kosmopolito will send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to Kosmopolito Shareholders.
- (iv) Notwithstanding the foregoing, we may grant Options beyond the Scheme Mandate Limit to Participants if:
 - (1) separate Kosmopolito Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by Kosmopolito before such Kosmopolito Shareholders' approval is sought; and

- (2) Kosmopolito, in connection with the seeking of such separate Kosmopolito Shareholders' approval, has first sent a circular to Kosmopolito Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (v) Subject to paragraph (vi) below, the maximum number of Kosmopolito Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Kosmopolito Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Kosmopolito Shares subject to options granted during such period under any other share option scheme(s) of Kosmopolito other than those options granted pursuant to specific approval by the Kosmopolito Shareholders in a general meeting) exceed 1% of the Kosmopolito Shares in issue for the time being (the "Individual Limit").
- (vi) Where any further grant of Options to a Participant would result in the Kosmopolito Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Kosmopolito Shares in issue, such further grant must be separately approved by the Kosmopolito Shareholders in general meeting with such Participant and his associates abstaining from voting. Kosmopolito must send a circular to the Kosmopolito Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.
- (vii) At any time, the maximum number of Kosmopolito Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Kosmopolito Share Option Scheme and any other share option schemes of Kosmopolito shall not, in the absence of Kosmopolito Shareholders' approval, in aggregate exceed 30% of the Kosmopolito Shares in issue from time to time.

(f) Time of Exercise of Option

An Option may be exercised in accordance with the terms of the Kosmopolito Share Option Scheme at any time during the Option Period.

(g) Rights are Personal to Grantees

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(h) Rights on Termination of Employment by Dismissal

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment.
- (ii) If the Grantee who is an employee or a director of Kosmopolito or another member of Kosmopolito Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (h)(i) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment and shall on that day cease to be exercisable.

(i) Rights on Ceasing to be a Participant

If the Grantee who is not an employee or a director of Kosmopolito or another member of the Kosmopolito Group ceases to be a Participant as and when determined by the Board of Kosmopolito by resolution for any reason other than his death, the Board of Kosmopolito may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(j) Rights on Death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (h)(i) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

(k) Effect of Alterations to Share Capital

In the event of an alteration in the capital structure of Kosmopolito, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of Kosmopolito in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of Kosmopolito as a

result of an issue of Kosmopolito Shares as consideration in a transaction to which Kosmopolito is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Kosmopolito Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of Kosmopolito as that to which that Grantee was previously entitled; and
- (b) notwithstanding paragraph (k)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplemental Guidance on Listing Rule 17.03(13) issued by the Stock Exchange on 5 September 2005,

but no such adjustments shall be made to the extent that a Kosmopolito Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or Kosmopolito auditors must confirm to the directors of Kosmopolito in writing that the adjustments are in their opinion fair and reasonable.

(l) Rights on a General Offer by way of Takeover

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Kosmopolito Shareholders (or all such Kosmopolito Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by us at any time within such period as shall be notified by us.

(m) Rights on a General Offer by way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Kosmopolito Shareholders and has been approved by the necessary number of Kosmopolito Shareholders at the requisite meetings, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by Kosmopolito.

(n) Rights on Winding-up

In the event a notice is given by Kosmopolito to the Kosmopolito Shareholders to convene a Kosmopolito Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up Kosmopolito, Kosmopolito shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by Kosmopolito) exercise the Option either to its full extent or to the extent notified by Kosmopolito, and Kosmopolito shall as soon as possible and in any event no later than three days prior to the date of the proposed Kosmopolito Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Kosmopolito Shares to the Grantee which fall to be issued on such exercise.

(o) Rights on a Compromise or Arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between Kosmopolito and Kosmopolito members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of Kosmopolito, Kosmopolito shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Kosmopolito Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Kosmopolito Shares which fall to be issued on such exercise.

(p) Ranking of Kosmopolito Shares

The Kosmopolito Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the articles of association of Kosmopolito for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Kosmopolito Shares in issue on the date on which these Kosmopolito Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Kosmopolito Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Kosmopolito Shares are allotted.

(q) Period of the Kosmopolito Share Option Scheme

The Kosmopolito Share Option Scheme was adopted for a period of 10 years commencing from the Adoption Date. Kosmopolito may, by ordinary resolution in a general meeting or, such date as the board of directors of Kosmopolito determines, terminate the Kosmopolito Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(r) Alterations to the Kosmopolito Share Option Scheme

- (i) The specific provisions of the Kosmopolito Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants without the prior approval of Kosmopolito Shareholders in general meeting;
- (ii) changes to the authority of the Board of Kosmopolito in relation to any alteration of the terms of the Kosmopolito Share Option Scheme shall not be made without the prior approval of Kosmopolito Shareholders in general meeting; and
- (iii) any alterations to the terms and conditions of the Kosmopolito Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Kosmopolito Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Kosmopolito Share Option Scheme. The Kosmopolito Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(s) Conditions of the Kosmopolito Share Option Scheme

The Kosmopolito Share Option Scheme shall take effect subject to:

- (i) the passing of the resolution by the Kosmopolito Shareholders to approve and adopt the Kosmopolito Share Option Scheme and to authorise the Board of Kosmopolito to grant Options thereunder and to allot and issue Kosmopolito Shares pursuant to the exercise of any Options;
- (ii) the Listing Committee granting approval of the listing of and permission to deal in the Kosmopolito Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Kosmopolito Shares in issue on the Listing Date; and
- (iii) the commencement of trading of the Kosmopolito Shares on the Main Board of the Stock Exchange.

(t) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option Period;

- (ii) the expiry of the periods referred to in paragraphs (h), (i), (j), (l) to (o) above respectively;
- (iii) the expiry of the period referred to in paragraph (l) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Kosmopolito Shares in the Offer;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (m) above;
- (v) the date of commencement of the winding-up of the Company;
- (vi) the date on which the Grantee ceases to be a Participant as referred to in paragraphs (h)(i) and (i) above;
- (vii) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and
- (viii) subject to paragraph (h)(ii), the date the Grantee ceases to be a Participant for any other reason.

(u) Termination of the Kosmopolito Share Option Scheme

Kosmopolito, by ordinary resolution in general meeting, or the Board of Kosmopolito may at anytime terminate the Kosmopolito Share Option Scheme and in such event no further Options may be granted but in all other respects the Kosmopolito Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Kosmopolito Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Kosmopolito Share Option Scheme.

(v) Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or in such other manner as prescribed by the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the board meeting of Kosmopolito (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for Kosmopolito to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or, not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

(w) Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees.

1. RESPONSIBILITY STATEMENT

This circular, for which the 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 the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(a) Long position in Shares and underlying Shares

Name of Director	Number of Shares held			Total	Percentage of issued share capital of the Company
	Personal Interests	Corporate Interests	Family Interests		
Tan Sri Dato' David Chiu	13,011,717	648,308,450 ⁽¹⁾	557,000	661,877,167	34.79%
Mr. Deacon Te Ken Chiu	12,140,586	131,344,390 ⁽²⁾	1,514,288	144,999,264	7.62%
Mr. Dennis Chiu	8,683	5,205,356 ⁽³⁾	-	5,214,039	0.27%
Ms. Ching Lan Ju Chiu	1,514,288	-	143,484,976	144,999,264	7.62%
Mr. Daniel Tat Jung Chiu	44,561	3,877,218 ⁽⁴⁾	-	3,921,779	0.21%

Notes:

- (1) These Shares are held by Sumptuous Assets Limited and Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David Chiu. Tan Sri Dato' David Chiu is a director of Sumptuous Assets Limited.

- (2) These Shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (3) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu. Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu are directors of First Level Holdings Limited.
- (4) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu. The shareholding and directorships in First Level Holdings Limited are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Share options

As at the Latest Practicable Date, the Company has not granted the Directors any share option under the share options scheme adopted on 28 August 2002.

(c) Shares in associated corporations

As at the Latest Practicable Date, the interests of Directors in the share capital of the Company's associated corporations were as follows:

Name of Director	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associated corporation
Mr. Deacon Te Ken Chiu	Kanic Property Management Limited	2	50%
Tan Sri Dato' David Chiu	Oi Tak Enterprises Limited	250,000	50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

(d) Service contracts

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(e) Interest in assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which were, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

(f) Interest in contracts and arrangements

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(g) Interest in competing business

To the best of the knowledge of the Directors, save as disclosed below, none of the Directors or their respective associates has any interest in a business, which competes or may compete with the business of the Group.

A. Property Investment and Development

The following companies not in our Group are principally engaged in property investment and development but may include hotel and serviced residences which may compete, or is likely to compete, either directly or indirectly with our Group's business in the property development division.

1. Malaysia Land Properties Sdn. Bhd. ("Mayland")

Mayland is a company incorporated in Malaysia with limited liability on 24 February 1995 and is controlled by our executive Director, Tan Sri Dato' David Chiu. Tan Sri Dato' David Chiu is the chief executive officer of Mayland. Mayland is an unlisted property developer with more than 10 existing mixed development projects in Kuala Lumpur and Johor Bahru, Malaysia, including Plaza Damas 3, a mixed development with shop-office units and service apartment units over 5.97 acres; and Cheras Central, a property development including a 660,000 square feet shopping and leisure complex in Churas, Kuala Lumpur, Malaysia.

Details of the hotel components of Plaza Damas 3 and Cheras Central are set out as follows:

Name of Development	Location	Rooms	Hotel portion GFA (sq. ft.)	Percentage of total GFA of development
Plaza Damas 3	Sri Hartamas, Kuala Lumpur	857 units, 27 storey hotel-cum-service apartments	approximately 120,000	approximately 9%
Cheras Central	Cheras, Kuala Lumpur	still in planning stage	approximately 162,200	approximately 15%

We have been informed that it is not practicable to carve out the sites proposed for the hotel development in Plaza Damas 3 and Cheras Central until completion of the development or project. As advised by Kosmopolito's Malaysian legal advisers, the normal practice in Malaysia is that an application for subdivision of the initial title, called the Master Title, is usually done midway through the project but the issue of the subdivided title would only take place after the completion of the development or project as it is only then that a final survey will be done by the surveyors to determine the final built up areas or common areas.

Save as these two developments which may have a hotel component, the company's current ongoing property development projects involve residential and commercial properties. As at 30 June 2010, Mayland had around 54 employees including management and its board structure is as follows:

Name	Position
Tan Sri Dato' David Chiu	chief executive officer
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	director
Ms. Wing Kwan Winnie Chiu	director
Mr. Low Gay Teck	director
Mr. Yeo Chun Sing	director

2. Far East Hotels and Entertainment Limited

Far East Hotels and Entertainment Limited is a company established in Hong Kong with limited liability on 20 October 1978 and as at the Latest Practicable Date is owned by our executive Directors, Mr. Deacon Te Ken Chiu and Tan Sri Dato' David Chiu as to approximately 24.83% and 0.6%, respectively. Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu and Mr. Dennis Chiu are the chairman

and non-executive directors of Far East Hotels and Entertainment Limited, respectively. Far East Hotels and Entertainment Limited is a listed company on the Main Board of the Stock Exchange. For the year ended 31 March 2010, based on the published accountants' report of Far East Hotels and Entertainment Limited, the company's revenue and profit after tax are approximately HK\$26.9 million and HK\$8.7 million, respectively and as at the Latest Practicable Date, has a market capitalisation of HK\$127.1 million. Far East Hotels and Entertainment Limited is an investment company and provides corporate management services to its subsidiaries. Its portfolio of properties includes residential properties in Hong Kong, the 66 room Cheung Chau Warwick Hotel in Hong Kong, and the 95 room 3-star hotel Beijing Warwick Suite Hotel in PRC. The revenue attributable to Cheung Chau Warwick Hotel in Hong Kong was HK\$15.9 million for the year ended 31 March 2010 and that attributable to hotel operations and property letting in the PRC (including Beijing Warwick Suite Hotel) was HK\$10.7 million for the same period.

As at 30 June 2010, Far East Hotels and Entertainment Limited had around 100 employees including management and its board structure is as follows:

Name	Position
Mr. Deacon Te Ken Chiu	chairman
Mr. Derek Chiu	executive director managing director chief executive officer executive director
Mr. Desmond Chiu	deputy managing director executive director
Ms. Margaret Chiu	executive director
Ms. Chiu Ju Ching lan	non-executive director
Mr. Dick Tat Sang Chiu	non-executive director
Tan Sri Dato' David Chiu	non-executive director
Mr. Dennis Chiu	non-executive director
Mr. Duncan Chiu	non-executive director
Mr. Ip Shing Hing	independent non-executive director
Mr. Ng Wing Hang Patrick	independent non-executive director
Mr. Raymond Choy Wai Shek	independent non-executive director
Mr. Chan Chi Hing	alternate director to Mr. Deacon Te Ken Chiu

The Directors are of the view that the above property investments and development companies that are likely to compete, either directly, or indirectly, with the Group's business have been excluded from the Group's business because:

- (a) these companies mainly develop residential, retail and commercial properties in Malaysia and Hong Kong as opposed to our Group's property developments in China and Australia;
- (b) these companies mainly develop residential, retail and commercial properties as opposed to hotel properties;
- (c) each of these companies has a sufficient level of independence of directorship and management from the Group; and
- (d) the two hotels operated by Far East Hotels and Entertainment Limited (i) a resort style hotel in Cheung Chau, Hong Kong and (ii) an apartment style hotel in Beijing, PRC, commenced operations prior to the Company's establishment of the hotel division in Hong Kong and are not in line with the design-led, value to upscale and boutique hotels operated by the Group and our Group currently has no intention in acquiring either of the hotels.

B. Hotel Operations and Management

The following companies that are not owned by the Group are principally engaged in hotel operations and management and are likely to compete, either directly or indirectly, with our Group's business in the hotel division.

1. Tokai Kanko Co., Ltd.

Tokai Kanko Co., Ltd. is a company with limited liability incorporated in Japan on 23 March 1948 and is owned by our executive Director, Tan Sri Dato' David Chiu through Far East Global Asia Limited as to approximately 58.4% as at the Latest Practicable Date. As at 30 June 2010, an aggregate of approximately 6.15% is owned by various investors but not limited to Société Générale Bank and Trust Singapore and Japan Securities and Finance Company Limited (日本証券金融株式会社). Tan Sri Dato' David Chiu is also the chairman of the board of directors and our executive Directors, Mr. Dennis Chiu and Mr. Craig Williams are also directors of Tokai Kanko Co., Ltd. Tokai Kanko Co., Ltd. is a company listed on the first section of the Tokyo Stock Exchange. For the year ended 31 December 2009, based on the published annual securities report of Tokai Kanko Co., Ltd., the company's revenue and loss after tax are approximately JPY1,142.0 million (equivalent to approximately HK\$125.1 million) and JPY25.0 million (equivalent to approximately HK\$2.7 million), respectively. As at the Latest Practicable Date, Tokai Kanko Co., Ltd. has a market capitalisation of

JPY4,926.2 million (equivalent to approximately HK\$539.8 million). The principal business of Tokai Kanko Co., Ltd. is the operation of two Japanese-style spa resort hotels targeting local families and couples under the names Imaiso (今井莊) which has 53 rooms and Nanzanso (南山莊) which has 33 rooms in Shizuoka Prefecture, Japan, a memorial park (i.e. cemetery) in Japan and Malaysia and the leasing of domestic real estate development in Japan.

As at 30 June 2010, Tokai Kanko Co., Ltd. had around 86 employees including management and its board structure is as follows:

Name	Position
Tan Sri Dato' David Chiu	chairman of the board, director
Mr. Hoong Cheong Thard	president, director
Mr. Sataro Shishido	executive director
Mr. Dennis Chiu	director
Mr. Craig Williams	director
Mr. Aya Aso	director

2. RC Hotel and Resort JV Holdings (BVI) Company Limited

RC Hotel and Resort JV Holdings (BVI) Company Limited is a company incorporated in the BVI with limited liability on 17 December 2007 and is owned as to approximately 10% by our executive Director, Tan Sri Dato' David Chiu. RC Hotel and Resort Holdings (BVI) Company Limited is an unlisted company and its principal business is the development and operation of Ritz-Carlon Reserve Maldives, a resort expected to have 90 villas and is expected to be completed by mid 2013.

The Directors are of the view that the above hotel operations and management companies that are likely to compete, either directly, or indirectly, with the Group's hotel business have been excluded from the Group's business because:

- (a) the geographical location of the hotels, i.e. Japan and Maldives are not locations where our Group currently operates or intends to expand into after the Proposed Spin-off as the Group is generally focusing its efforts on expansion of its hotel business operations in China;
- (b) the hotels operated by the companies included Japanese spa resort hotels, five-star luxury hotels that are not in-line with the value to upscale and boutique hotels operated by our Group;
- (c) each of these companies has a sufficient level of independence of directorship and management from the Group; and
- (d) Tokai Kanko Co., Ltd. commenced operation prior to the Company's establishment of the hotel division in Hong Kong.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and as far as the Directors are aware, the following persons had a long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, 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 member of the Group:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Chiu David	Interests in controlled Corporation	648,308,450(L)	34.08%
Sumptuous Assets Limited	Beneficial owner	648,296,761(L)	34.08%
Penta Investment Advisers Limited	Investment manager	556,773,697 (L)	29.27%
Penta Master Fund, Limited	Beneficial owner	178,575,797 (L)	9.39%
Chiu Te Ken Deacon	Beneficial Owner	12,140,586 (L)	0.64%
	Interests in controlled Corporation	131,344,390 (L)	6.9%
UBS AG	Person having a security interest	112,486,277 (L)	5.91%
	Beneficial Owner	5,259,222 (L)	0.28%
		263,000(S)	0.01%
	Interests in Controlled Corporation	10,000 (L)	0.00%
		10,000 (S)	0.00%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	108,725,200 (L)	5.72%

Note: "L" refers to the long position in the Shares held by such entity, while "S" refers to short position in the Shares held by such entity.

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, 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 member of the Group.

4. LITIGATION

As at the Latest Practicable Date, save as disclosed in the section headed “Contingent liabilities” in Appendix I of this circular, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. EXPERTS AND CONSENTS

The following are the experts, and their qualifications, who have given their advice or opinion contained in this circular:

Name	Qualification
Access Capital	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
DTZ Debenham Tie Leung (“DTZ”)	Independent property valuer (Hong Kong, PRC and Singapore)
Raine & Horne International Zaki + Partners Sdn. Bhd. (“Raine & Horne”)	Independent property valuer (Malaysia)

Each of Access Capital, DTZ and Raine & Horne has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report as set out in this circular and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Access Capital, DTZ and Raine & Horne was beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any assets which were, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

6. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group within two years immediately preceding the date of this circular and are or may be material:

- (a) bought and sold notes dated 25 January 2010 for the transfer of 2 shares in Dorsett Hotel & Resorts International Limited by Far East Consortium Limited ("FECL") to Kosmopolito for a consideration of HK\$2.00;
- (b) bought and sold notes dated 25 January 2010 for the transfer of 2 shares in Kosmopolito Hotel International Services Limited by FECL to Kosmopolito for a consideration of HK\$2.00;
- (c) a sale and purchase agreement dated 1 April 2010 for the transfer of Grand Labuan Hotel by Subang Jaya Development Sdn Bhd to Merlin Labuan Sdn Bhd for a consideration of MYR6,000,000;
- (d) bought and sold notes dated 5 May 2010 for the transfer of 1 share in Excel Chinese International Limited by FECL to Havena Holdings Limited ("Havena") for a consideration of HK\$1.00;
- (e) bought and sold notes dated 28 May 2010 for the transfer of 10,000 shares in Hong Kong (SAR) Hotel Limited by FECL to Havena for a consideration of HK\$10,000.00;
- (f) equity transfer agreement dated 7 June 2010 for the transfer of 48% equity interest in Ching Chu Shanghai Trading Market Operations and Management Co., Ltd. by Ching Chu (Shanghai) Real Estate Development Co., Ltd. to Shanghai Chingchu Property Development Co., Ltd. for a consideration of RMB240,000;
- (g) bought and sold notes dated 26 August 2010 for the transfer of 2 shares in Esmart Management Limited by FECL to Havena for a consideration of HK\$2.00;
- (h) bought and sold note dated 26 August 2010 for the transfer of 1 share in Panley Limited by FECL to Havena for a consideration of HK\$1.00; and
- (i) bought and sold notes dated 27 August 2010 for the transfer of 2 shares in Ruby Way Limited by FECL to Havena for a consideration of HK\$2.00.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 March 2008, 2009 and 2010;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 42 of this circular;
- (iv) the letter of advice from Access Capital, the text of which is set out on pages 43 to 72 of this circular;
- (v) the property valuation on the hotels under the Kosmopolito Group from DTZ and Raine and Horne, the text of which is set out in Appendix II to this circular;
- (vi) the written consents as referred to in the section headed "Expert and consents" in this appendix;
- (vii) service contracts as referred to in the section headed "Directors' Interests – service contracts" in this appendix;
- (viii) material contracts as referred to in the section headed "Material contracts" in this appendix; and
- (ix) the Kosmopolito Share Option Scheme rules.

8. GENERAL

- (i) The qualified accountant and secretary of the Company is Bill Kwai Pui Mok, *MBA, AICPA, HKICPA*.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EGM



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Far East Consortium International Limited (the “Company”) will be held at 2/F, Cosmo Kowloon Hotel, 88 Tai Kok Tsui Road, Kowloon, Hong Kong at 3:30 p.m. on Friday, 17 September 2010 for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

- (1) **“THAT:**
- (a) the Proposed Spin-off (as defined below) and all documents or agreements in connection therewith or contemplated thereunder or for the purpose of giving effect thereto (including but not limited to the relevant non-competition undertaking, underwriting agreements, stock borrowing agreement and deed of indemnity), be and are hereby approved;
 - (b) the directors of the Company be and are hereby authorised on behalf of the Company to approve and implement the Proposed Spin-off and all matters incidental thereto and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-off as they shall think fit (including, inter alia, (i) to sign, seal, execute, perfect and deliver any document, instruments and agreements for and on behalf of the Company in connection with or pursuant to the Proposed Spin-off (including but not limited to the relevant non-competition undertaking, underwriting agreements, stock borrowing agreement and deed of indemnity); and (ii) to exercise all such powers and do all such acts as they consider necessary, desirable or expedient to give effect to the Proposed Spin-off);
 - (c) the Company be and is hereby authorised to sell or approve the issue of such number of Kosmopolito Shares, such that the percentage of shareholding interest of the Company in Kosmopolito will be no less than 50% provided that (i) the actual or deemed disposal by the Company of its interests in Kosmopolito Shares will not result in any of the Company’s “percentage ratios” under Rule 14.07 of the Listing Rules to exceed 75% (ii) an independent financial adviser and a committee of independent non-executive directors of the Company recommends that the Company proceed with the Proposed Spin-Off; and (iii) the Company makes the relevant disclosures required under the Listing Rules.”

NOTICE OF EGM

Further details of the Global Offering will be set out in the Prospectus.

“**Global Offering**” means (a) the offering of Kosmopolito Shares (as defined below) to the public in Hong Kong and (b) the offering of Kosmopolito Shares to institutional, professional and other investors (including the preferential offering to qualifying shareholders of the Company for subscription of reserved Kosmopolito Shares) subject to the terms and conditions as set out in (i) an offering circular and (ii) the application forms to be issued in relation to these offerings;

“**Kosmopolito**” means Kosmopolito Hotels International Limited;

“**Kosmopolito Shares**” means ordinary shares of HK\$0.10 each in the share capital of Kosmopolito;

“**Proposed Spin-off**” means the proposed spin-off of Kosmopolito comprising the Global Offering and the Separate Listing; and

“**Separate Listing**” means the separate listing of the Kosmopolito Shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) “**THAT:**

the rules of the share option scheme of Kosmopolito (“**Kosmopolito Share Option Scheme**”), a copy of which having been produced to the meeting marked “A” and for the purpose of identification signed by the Chairman, the summaries of which are set out in the Circular, be and are hereby approved and adopted to be the share option scheme of Kosmopolito and the directors of the Company be and are hereby authorised to approve any amendments to the rules of the Kosmopolito Share Option Scheme as may be acceptable or not objected to by the Stock Exchange and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Kosmopolito Share Option Scheme.”

Yours faithfully,
For and on behalf of
Far East Consortium International Limited
Mok Kwai Pui Bill
Chief Financial Officer and Company Secretary

Hong Kong, 2 September 2010

NOTICE OF EGM

Registered office:

Caledonian Bank & Trust Limited
P.O. Box 1043, Ground Floor
Caledonian House, Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Principal Place of Business:

16/F., Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude shareholders from attending the meeting and voting in person.
3. A form of proxy for use at the meeting is enclosed.
4. In the case of joint holders of any share, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share, but if more than one of such joint holders is present at the Meeting either personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of joint holders.

As at the date of this notice, 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.