
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Far East Consortium International Limited.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF FURTHER HOTEL INTERESTS

Financial adviser to Far East Consortium International Limited



SOMERLEY LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 5 to 16 and a letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and Independent Shareholders is set out on pages 19 to 29 of this circular.

A notice convening an extraordinary general meeting of Far East Consortium International Limited to be held at 3:00 p.m. on 5 February 2007 at the La Maison de l'Orient, 1/F., Cosmopolitan Hotel, 387-397 Queen's Road East, Wanchai, Hong Kong, is set out on pages 41 to 42 of this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so desire.

19 January 2007

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
INTRODUCTION	5
THE AGREEMENT	6
INFORMATION ON JADE RIVER AND THE PROPERTIES	12
FINANCIAL EFFECT OF ACQUISITION	14
REASONS FOR THE ACQUISITION	14
CONTINUING RELATIONSHIP WITH THE VENDOR GROUP	15
LISTING RULES IMPLICATIONS	15
NOTICE OF EGM	15
RECOMMENDATION	16
ADDITIONAL INFORMATION	16
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	17
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	19
APPENDIX I – PROPERTY VALUATION REPORT	30
APPENDIX II – GENERAL INFORMATION	36
NOTICE OF EGM	41

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares, being (i) the two shares in Jade River representing its entire issued share capital; and (ii) the benefits of the Loans
“Agreement”	the sale and purchase agreement dated 21 December 2006 entered into between the Vendor and the Purchaser in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Berkeley Court”	a block of serviced apartments (certain of which will be converted to hotel rooms) developed on a piece of freehold land held under Master Title H.S. (D) 227751 P.T.D. No. 101375 in the Mukim of Plentong and Daerah of Johor Bahru in the State of Johor Darul Takzim in Malaysia
“Berkeley Court Sale Parcels”	47 sale parcels situated on the ground to 9th floors of Berkeley Court to be acquired by Success Range pursuant to the Berkeley Court Sale Agreement
“Berkeley Court Sale Agreement”	the master purchase agreement dated 20 June 2006 and entered into between Mayland Projects (Johor) Sdn. Bhd. and Success Range for the sale and purchase of the Berkeley Court Sale Parcels, such agreement being yet to be completed as at the Latest Practicable Date
“Board”	board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong
“BVI”	British Virgin Islands
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	the date within five Business Days (or such later date as shall be agreed in writing between parties to the Agreement) after the fulfillment of all the conditions precedent to the Agreement

DEFINITIONS

“connected persons”	has the meaning as defined in the Listing Rules
“Consideration”	HK\$331,445,000, the consideration for the Acquisition pursuant to the Agreement
“Conversion Shares”	77,080,232 new Shares which will be issued upon full conversion of the principal amount of the Convertible Bond at the conversion price of HK\$4.3 per Share (subject to adjustment)
“Convertible Bond”	zero coupon convertible bond in the principal amount of HK\$331,445,000 to be issued to the Vendor or its nominee entitling it to convert the outstanding principal amount into Conversion Shares at an exercise price of HK\$4.3 per Share (subject to adjustment) until its maturity date five years after the date of issue
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Eternity Profits”	Eternity Profits Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Jade River
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board appointed by the Board to advise the Independent Shareholders in respect of the Acquisition, comprising the independent non-executive directors, namely, Mr. David Kwok Kwei Lo, Mr. Jian Yin Jiang and Mr. Kwok Wai Chan.
“Independent Financial Adviser”	Hercules Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as regards the Acquisition, a licensed corporation under the SFO to carry on type 6 regulated activity (advising on corporate finance)
“Independent Shareholders”	Shareholders other than the Vendor and his associates

DEFINITIONS

“Independent Valuer”	Raine & Horne International Zaki + Partners Sdn. Bhd., independent chartered surveyor and registered valuer
“Jade River”	Jade River Profits Limited, a company incorporated in the BVI that is wholly owned by the Vendor
“Jade River Group”	Jade River and its subsidiaries
“Latest Practicable Date”	means 17 January 2007, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
“Leased Properties”	the portion of ground floor of Berkeley Court and the portion of ground floor and seventh floor of May Tower
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	all loans granted by the Vendor to Jade River Group that remain outstanding as at the Completion Date and all accrued interest thereon, if any, and all rights and benefits of the Vendor relating thereto
“Long Stop Date”	30 June 2007 or such later date as the parties to the Agreement may agree in writing
“May Tower”	a block of commercial/serviced apartments (certain of which will be converted to hotel rooms) developed on a piece of freehold land held under Geran 54118, Lot 301, Section 40 in the Bandar of Kuala Lumpur, District and State of Wilayah Persekutuan in Malaysia
“May Tower Sale Parcels”	120 sale parcels situated on 21st floor to 30th floor of May Tower to be acquired by Venue Summit pursuant to the May Tower Sale Agreement
“May Tower Sale Agreement”	the master purchase agreement dated 4 May 2006 and entered into between Mayland Boulevard Sdn. Bhd. and Venue Summit for the sale and purchase of the May Tower Sale Parcels, such agreement being yet to be completed as at the Latest Practicable Date

DEFINITIONS

“Mr. Chiu” or “Vendor”	Mr. David Chiu, the Deputy Chairman and Chief Executive Officer of the Company, who is interested in 329,143,949 Shares representing approximately 22.62% of the total issued share capital of the Company as at the Latest Practicable Date
“Properties”	the May Tower Sale Parcels and the Berkeley Court Sale Parcels
“Purchaser”	Far East Consortium Limited, a wholly-owned subsidiary of the Company
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“Sale Shares”	the two ordinary shares of US\$1.0 each in the share capital of Jade River beneficially owned by the Vendor, representing the entire issued share capital of Jade River
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Range”	Success Range Sdn. Bhd., a company incorporated in Malaysia and a directly wholly-owned subsidiary of Eternity Profits
“Total Win Profits”	Total Win Profits Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Jade River
“USD”	US dollar, the lawful currency of the United States
“Vendor Group”	companies controlled by the Vendor and/or his associates
“Venue Summit”	Venue Summit Sdn. Bhd., a company incorporated in Malaysia and a directly wholly-owned subsidiary of Total Win Profits

For illustration purposes, exchange rates of RM1.00 = HK\$2.195 and USD1.00 = HK\$7.80 have been adopted.

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)

Executive Directors:

Mr. Deacon Te Ken Chiu (*Chairman*)
Tan Sri Dato' David Chiu (*Deputy Chairman and
Chief Executive Officer*)
Mr. Dennis Chiu
Mr. Craig Grenfell Williams

Registered Office:

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

Non- executive Directors:

Madam Ching Lan Ju Chiu
Mr. Dick Tat Sang Chiu
Mr. Daniel Tat Jung Chiu

Principal Office:

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

Independent Non-executive Directors:

Mr. David Kwok Kwei Lo
Mr. Jian Yin Jiang
Mr. Kwok Wai Chan

19 January 2007

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF FURTHER HOTEL INTERESTS

INTRODUCTION

On 21 December 2006, the Purchaser entered into the Agreement with the Vendor to acquire the Sale Shares, being the entire issued share capital of Jade River for an aggregate consideration of HK\$331,445,000. Upon Completion, the Vendor shall absolutely and unconditionally assign the benefits of the Loans to the Purchaser (or its nominee). The Consideration will be satisfied by the issue of the Convertible Bond to the Vendor or its nominee.

The purpose of this circular is to give you further information regarding the Acquisition and other information required under the Listing Rules.

LETTER FROM THE BOARD

THE AGREEMENT

Date:

21 December 2006

Parties:

- (i) Purchaser: Far East Consortium Limited, a wholly-owned subsidiary of the Company
- (ii) Vendor: Mr. Chiu

Assets to be acquired:

The Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares, being the entire issued share capital of Jade River. Upon Completion, the Vendor shall absolutely and unconditionally assign the benefits of the Loans to the Purchaser (or its nominee).

Consideration:

The Consideration of HK\$331,445,000 was agreed between the parties based on arm's length negotiation by reference to the provisional valuations prepared by the Independent Valuer. As set out below, the Agreement is conditional on the receipt by the Purchaser of the formal valuations showing a total market value of the Properties of not less than RM151 million. The Consideration will be satisfied in whole by the issue of the Convertible Bond by the Company to the Vendor or its nominee on Completion.

The principal terms of the Convertible Bond to be issued by the Company will be as follows:

Principal amount: HK\$331,445,000

Maturity date: Unless previously converted, the outstanding principal amount of the Convertible Bond will be repaid by the Company on the day preceding the fifth anniversary of the date of issue of the Convertible Bond.

Coupon: Nil

Conversion: The whole or any part (in an amount or integral multiple of HK\$5,000,000 or if less, the entire outstanding amount of the Convertible Bond) of the outstanding principal amount of Convertible Bond is convertible from time to time and at any time over the term of the Convertible Bond at a conversion price of HK\$4.3 per Share (subject to adjustment).

LETTER FROM THE BOARD

The conversion price of the Convertible Bond is subject to adjustment provisions standard for convertible securities of similar type. Adjustment events will include changes in the share capital of the Company, such as consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at a discount to market.

Redemption:

To the extent not previously converted, the Company shall redeem the Convertible Bond in cash at 100% of the outstanding principal amount on the fifth anniversary of its issuance.

Listing:

No application will be made for the listing of the Convertible Bond on any stock exchange. Application will be made for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.

Ranking of the Convertible Bond:

The Convertible Bond constitutes (subject to the terms and conditions of the Convertible Bond) unsecured obligations of the Company ranking pari passu with other unsecured obligation of the Company.

Conversion Shares:

On the basis of the principal amount of HK\$331,445,000 and the initial conversion price of HK\$4.3 per Share, a total of 77,080,232 Conversion Shares will be issued upon full conversion of the Convertible Bond. The Conversion Shares shall upon issue rank pari passu in all respects with the then issued Shares.

Transferability:

The Convertible Bond will not be assignable or transferable except with the prior written consent of the Company. Save as aforesaid, there is no other restriction applicable to the subsequent sale of the Convertible Bond and the Conversion Shares.

The initial conversion price of the Convertible Bond of HK\$4.3 per Share has been determined after arms' length negotiation between the Purchaser and the Vendor with reference to the recent market price of Shares and the terms and conditions of the Convertible Bond.

The initial conversion price of HK\$4.30 per Share represents:

- (i) a premium of approximately 25.36% over the closing price of HK\$3.43 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a premium of approximately 21.47% over the average closing price of approximately HK\$3.54 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Latest Practicable Date;
- (iii) a premium of approximately 14.97% over the closing price of HK\$3.74 per Share as quoted on the Stock Exchange on 21 December 2006, being the date of the Agreement;
- (iv) a premium of approximately 16.53% over the average closing price of approximately HK\$3.69 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including the date of the Agreement;
- (v) a premium of approximately 74.80% over the audited net tangible assets of the Group of HK\$2.46 per Share as at 31 March 2006; and
- (vi) a premium of approximately 66.0% over the unaudited net tangible assets of the Group of HK\$2.59 per Share as at 30 September 2006.

The Consideration was agreed by the Board taking into account, among other things, that (i) no immediate cash outflow is required under the Acquisition; (ii) the Convertible Bond is zero coupon, has no premium on redemption, no put option, no re-set provision and has a conversion price (subject to adjustment) which reflects a premium over recent market prices of the Shares and the latest net tangible asset value of the Group; and (iii) that there is no immediate dilution effect on the shareholding interests of the Independent Shareholders.

Conditions precedent:

The Agreement is subject to and conditional upon the fulfillment of, inter alia, the following conditions precedent on or before the Long Stop Date:

- (i) all approvals and consents of third parties (including the Stock Exchange and relevant governmental or official authorities) which are necessary for the entering into and the implementation of the Agreement and all transactions contemplated under the Agreement having been obtained;
- (ii) the approval of the Agreement, including the issue of the Convertible Bond and the Conversion Shares to be issued thereunder, by the Independent Shareholders at the EGM by resolution passed in accordance with the Listing Rules;
- (iii) the listing of and permission to deal in the Conversion Shares to be issued pursuant to the conversion of the Convertible Bond having been granted by the Stock Exchange;

LETTER FROM THE BOARD

- (iv) the receipt by the Purchaser of valuation reports in respect of the Properties prepared by a firm of independent valuers acceptable to the Purchaser, and on normal assumptions and bases acceptable to the Purchaser, showing that the aggregate market value of the Properties as at 15 December 2006 is no less than RM151 million;
- (v) the Purchaser being satisfied with a due diligence review on Jade River Group as to the respective financial, legal, contractual, taxation and trading positions of each member of the Jade River Group, and the title of the Properties;
- (vi) the Vendor having performed all of the covenants and agreements required to be performed by it under the Agreement on or prior to Completion;
- (vii) the Vendor having provided evidence satisfactory to the Purchaser that the sale and purchase of the Properties have been completed and Venue Summit and Success Range have become the sole and beneficial owner of the relevant Properties and obtained exclusive vacant possession of the relevant Properties free of all encumbrances and in full compliance with the property requirements set out in the Agreement;
- (viii) the Vendor having provided evidence satisfactory to the Purchaser that the tenancy agreements of the Leased Properties have been duly executed and are valid and enforceable and Venue Summit and Success Range have obtained exclusive vacant possession of the relevant Leased Properties free of all encumbrances and in full compliance with the requirements set out in the Agreement;
- (ix) the receipt by the Purchaser of a legal opinion by a firm of qualified lawyers in Malaysia in form and substance satisfactory to the Purchaser in relation to the subject matter of the Agreement, including, without limitation, the due incorporation, good standing and valid existence of each of Venue Summit and Success Range, that Venue Summit and Success Range possess good and marketable beneficial interest to the Properties and that all the relevant legal requirements as specified in the Agreement have been satisfied and there will be no legal impediment under Malaysian law for the Purchaser to acquire the Properties; and
- (x) during the period from the date of the Agreement to Completion, there not having occurred any material adverse effect on, or there not being in existence on Completion any material adverse change in, the financial position and operating performance of the Jade River Group as a whole.

In relation to condition (i) above, among other things, approval from the Foreign Investment Committee of the Prime Minister's Department of Malaysia (the "FIC") has to be obtained for the sale and purchase of the Berkeley Court Sale Parcels and the May Tower Sale Parcels and such approvals have been provided by the FIC on 22 August 2006 and 17 May 2006, respectively. The FIC approvals granted are conditional upon Venue Summit and Success Range (a) raising their respective paid-up share capital to RM250,000 within six months from the date of the FIC approval; and (b) each having at least thirty per cent. of

LETTER FROM THE BOARD

bumiputera equity shareholding before 30 June 2008. Condition (a) above has been satisfied by both Venue Summit and Success Range. Regarding condition (b), the Board will use its best endeavour to comply with the relevant FIC requirements. Bumiputera refers to a Malaysian citizen of Malay ethnicity or an aborigine. In the event that a bumiputera shareholder could not be introduced by the due date, the Group will apply for an extension of time for compliance with the same, or alternatively, a waiver. The Board understands that it is common practice in Malaysia to do so and a waiver is usually granted.

The Purchaser may at its absolute discretion waive in writing the conditions mentioned above (other than conditions (i), (ii) and (iii) above). If any of the above conditions shall not have been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, then the Agreement shall be void and of no effect and no party shall have any rights or claims whether for loss or damages or other relief whatsoever against any of the other parties on any ground save for antecedent breaches.

In respect of condition (iv), the Directors confirm the receipt of the valuation reports set out in Appendix I to this circular and such condition is fulfilled. The Purchaser has no present intention to waive any of the remaining conditions.

Completion:

Completion is to take place within five Business Days after fulfillment (or, where applicable, waived by the Purchaser in writing) of the conditions referred to above.

LETTER FROM THE BOARD

Effect on the Shareholding structure of the Company

The following is a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion upon full conversion of the Convertible Bond but before conversion of existing outstanding convertible bonds; and (iii) immediately after Completion upon full conversion of the Convertible Bond and the existing convertible bonds held by the bondholders (assuming no other changes in shareholding before then):

Shareholders	As at the Latest Practicable Date		After issuance of Conversion Shares but before conversion of existing outstanding convertible bonds		After issuance of Conversion Shares and full conversion of existing outstanding convertible bonds	
	No. of Shares	Shareholding	No. of Shares	Shareholding	No. of Shares	Shareholding
The Vendor	329,143,949	22.62%	329,143,949	21.49%	329,143,949	18.49%
Conversion Shares	—	—	77,080,232	5.03%	77,080,232	4.33%
	329,143,949	22.62%	406,224,181	26.52%	406,224,181	22.82%
Other family members of the Vendor	135,462,662	9.31%	135,462,662	8.84%	135,462,662	7.61%
Chiu family	464,606,611	31.93%	541,686,843	35.36%	541,686,843	30.43%
Deutsche Bank Aktiengesellschaft	135,237,824	9.30%	135,237,824	8.83%	135,237,824	7.60%
Penta Investment Advisers Ltd.	252,066,576	17.33%	252,066,576	16.45%	252,066,576	14.16%
Public	603,000,398	41.44%	603,000,398	39.36%	603,000,398	33.88%
Existing convertible bondholders (Note)	—	—	—	—	248,019,910	13.93%
Total	1,454,911,409	100.00%	1,531,991,641	100.00%	1,780,011,551	100.00%

Note: As at the Latest Practicable Date, the Company has outstanding convertible bonds of (i) principal amount of USD1,250,000 with a conversion price of HK\$2.09 which are convertible at any time up to 13 April 2009; and (ii) principal amount of HK\$754,400,000 at conversion price of HK\$3.10 convertible at any time up to 10 December 2009.

The total of 77,080,232 Conversion Shares to be issued upon full conversion of the Convertible Bond represents approximately 5.30% of the existing share capital of the Company, approximately 5.03% of the share capital of the Company as enlarged by the Conversion Shares and approximately 4.33% of the share capital of the Company as enlarged by the Conversion Shares and Shares to be issued upon full exercise of the conversion rights attaching to the convertible bonds of the Company that remain outstanding as at the Latest Practicable Date. Assuming the shareholding structure of the Company as at the Latest Practicable Date remains unchanged, full conversion of the Convertible Bond would not result in a change of control of the Company.

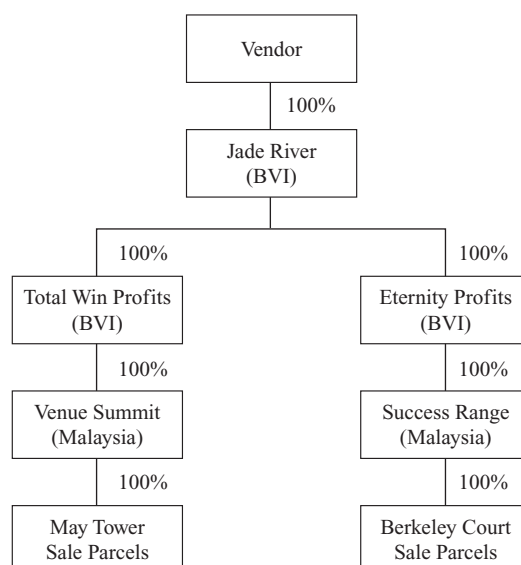
LETTER FROM THE BOARD

As at the Latest Practicable Date, the aggregate shareholding of the Vendor and its concert parties in the Group was approximately 31.93%. As a result, under the Takeovers Code, the Vendor and his concert parties would have an obligation to make a mandatory general offer to acquire all the Shares, other than those already owned or agreed to be acquired by them, upon the issue and allotment of Conversion Shares to the Vendor pursuant to a partial or full exercise of the conversion rights under the Convertible Bond, which would increase the aggregate shareholding of the Vendor and his concert parties by more than 2% from its lowest collective percentage shareholding in the then preceding twelve month period. The Convertible Bond has a five year term and the Vendor has stated that he has no intention of exercising conversion rights such that a mandatory general offer would be triggered.

INFORMATION ON JADE RIVER AND THE PROPERTIES

Jade River was incorporated on 16 February 2006. Jade River is an investment holding company which wholly owns Total Win Profits and Eternity Profits. Venue Summit and Success Range are the respective wholly owned subsidiaries of Total Win Profits and Eternity Profits and their principal assets are the beneficial interests being acquired in May Tower Sale Parcels and Berkeley Court Sale Parcels respectively. According to the management accounts of the Jade River Group, it recorded an audited net loss of approximately USD14,000 for the period from its incorporation to 30 September 2006. As at 30 September 2006, Jade River Group had total assets of approximately USD10.0 million, of which property, plant and equipment amounted to approximately USD9.9 million and bank balances amounted to approximately USD0.1 million. Total liabilities amounted to approximately USD9.8 million which included amount owing to director of approximately USD7.7 million. Such amount was unsecured, interest free and repayable on demand and was used to finance the acquisition of the Properties.

Set out below is a structure of Jade River Group:



LETTER FROM THE BOARD

May Tower and Berkeley Court were both originally designed as commercial blocks to be sold as serviced apartments. Both the May Tower and Berkeley Court are being constructed by developing companies beneficially owned by the Vendor, the construction works have started since 2002 and the structure is largely completed.

Development plans for the conversion of the Properties from serviced apartments to hotel/serviced apartments have been submitted to the relevant authorities in Malaysia for approval. It is expected that the Group would commence its hotel business in the Properties in about July 2007.

The lower floors of May Tower will remain as serviced apartments. Majority of the units on the upper floors of May Tower from 21st floor to 30th floor inclusive being converted to hotel rooms and certain units have already been sold as serviced apartments to third parties by the developer. May Tower has a total gross floor area of approximately 484,000 square feet. It is expected that upon completion of conversion, May Tower will comprise 179 hotel rooms with a total gross floor area of approximately 56,000 square feet and serviced apartment areas of approximately 428,000 square feet. The proposed 179-room boutique hotel within the 33-storey May Tower is sited fronting Jalan Munshi Abdullah, a major road within Kuala Lumpur city centre which accommodates the city's prime commercial buildings and purpose-built offices.

Majority of the units on the 1st to 9th floor of the 10-storey Berkeley Court will be converted to hotel use and certain units have already been sold as serviced apartments to third parties by the developer. Berkeley Court has a total gross floor area of approximately 140,000 square feet. It is expected that upon completion of conversion, Berkeley Court will comprise 310 hotel rooms with a total gross floor area of approximately 95,000 square feet and serviced apartment areas of approximately 45,000 square feet. The proposed 310-room hotel within the 10-storey Berkeley Court is situated within a locality known as Plentong located approximately 12 kilometres to the north-east of Johor Bahru city centre.

The Vendor shall sell and the Purchaser shall acquire the entire issued share capital of Jade River whose principal assets are the Properties, on the basis that all the construction and conversion work on the Properties has been completed to the standard as set out in the approved building plan and the specifications drawn up by the interior design firm employed by the Vendor. The Vendor will be responsible for all necessary financing for the construction and conversion work and the Jade River Group will be free of third party liabilities, securities, guarantees, indemnities or contingent liabilities given by or binding on the Jade River Group at Completion except the Loans to be assigned to the Purchaser on Completion, or otherwise the Vendor shall indemnify the Purchaser for the entire amount of such liabilities.

Berkeley Court is free from encumbrances. May Tower is subject to a registrar's caveat, details of which are set out in the valuation certificates in Appendix I to this circular. The Board has been advised by its Malaysian legal counsel that the aforesaid registrar's caveat was entered into a parcel within the May Tower which does not form one of the May Tower Sale Parcels and hence such a caveat would not invalidate the assignment

LETTER FROM THE BOARD

of the May Tower Sale Parcels under the May Tower Sale Agreement. The registrar caveat would not preclude the Group from disposing of its interests in the May Tower Sale Parcels in the future if the Board decides to do so.

The May Tower Sale Parcels and Berkeley Court Sale Parcels have been valued by the Independent Valuer at RM75 million (approximately HK\$164.6 million) and RM76 million (approximately HK\$166.8 million) respectively as at 15 December 2006. The valuation letters and certificates are set out in Appendix I to this circular.

FINANCIAL EFFECT OF THE ACQUISITION

The total assets of the Group will increase by the market value of the Properties upon Completion. Since the Properties are acquired at valuation which will be fully satisfied by the issue of the Convertible Bond, the total liabilities of the Group will increase by the same amount. As such, there will be no effect on the net asset value of the Group. Jade River will become a wholly owned subsidiary of the Company whose accounts would be consolidated in the financial statements of the Company upon completion of the Acquisition.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property development and investment, hotel operations, loan financing for hotel operations and treasury management. In the last three years, the Group has emphasized development of its growing chain of 3 to 4 star hotels, in addition to affordable housing for the expanding middle class in China.

The Acquisition will provide an opportunity for the Group to increase its hotel interests in Malaysia in accordance with the Group's strategy to build up its recurring income base through expanding its hotel portfolio. The Group, in addition to seven hotels in Hong Kong, owns the Dorsett Regency Hotel in Kuala Lumpur, Malaysia and has recently acquired the Sheraton Subang Hotel in Kuala Lumpur, Malaysia. After Completion, the Group will own four hotels in Malaysia with a total of about 1,300 rooms. Through resources sharing and centralization of procurement, the Board expected improvements will result in the areas of purchasing, sales and marketing, and hotel reservation and booking process etc.. This will improve the operational efficiency so to enhance the profitability of the Group's enlarged hotel portfolio. The Group can further leverage on the expertise of the hotel management team of Dorsett Regency Hotel who will also be responsible for supervising and managing the two new hotels acquired under the Agreement. Expanding the hotel portfolio in Malaysia is the first step of the Group to diversify its hotel business outside Hong Kong. The Group will continue to look for new hotel projects in Malaysia as well as Singapore and other parts of south-east Asia.

The executive Directors and the non-executive Directors consider the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Agreement is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

CONTINUING RELATIONSHIP WITH THE VENDOR GROUP

Members of the Jade River Group and two Malaysian companies wholly-owned by the Vendor have entered into two leasing agreements for the Leased Properties to be used in connection with or incidental to Jade River Group's hotel business to be carried out in May Tower and Berkeley Court (including the lobby and reception area for hotels and back office for the hotel management team). The aforesaid leases are of three years terms at an aggregate annual rental of approximately HK\$350,000. Jade River Group has been granted an option to renew the leases after the expiry of the 3-year term and rental will be revised upon renewal. In addition to the leasing arrangements, the Vendor Group may continue to provide from time to time property and facilities management services to the Jade River Group. The Vendor Group is and will continue to be a connected person of the Company under the Listing Rules and the above arrangements will constitute continuing connected transactions for the Company after Completion. Based on the estimated size, the continuing connected transactions will fall under the de minimis level and exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules. The Company will comply with the relevant Listing Rules requirements as and when appropriate.

LISTING RULES IMPLICATIONS

Since Mr. Chiu, being the Vendor, is a substantial shareholder and executive director of the Company, the Acquisition constitutes a discloseable and connected transaction for the Company. The EGM will be held to consider and, if thought appropriate, approve the Agreement and the transactions contemplated thereunder. Mr. Chiu and his family members and their respective associates will abstain from voting on the resolution in relation to the Agreement at the EGM.

NOTICE OF EGM

The notice convening the EGM in respect of approving the Agreement is set out on pages 41 to 42 of this circular.

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not prevent shareholders from attending and voting at the EGM in person if they so wish.

Pursuant to Article 71, every question submitted to a general meeting shall be determined in the first instance by a show of hands of the members present in person, unless a poll is taken as may from time to time be required under the rules of the Stock Exchange but a poll may be demanded (before or upon the declaration of the result of the show of hands) by the Chairman or by:

- (i) not less than three members present in person or by proxy having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (ii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is duly demanded in accordance with the foregoing provisions, a declaration by the Chairman that a resolution has been carried or lost or has or has not been carried by any particular majority and an entry to that effect in the minutes book of the Company shall be conclusive evidence of the fact without proof of the number, proportion or validity of the votes recorded in favour of or against such resolution.

The Acquisition constitutes a connected transaction of the Company and requires the approval of the Independent Shareholders at the EGM by a vote to be taken by poll. Mr. Chiu and his associates will abstain from voting on the resolution in relation to the Agreement at the EGM in view of their interest in the Acquisition.

RECOMMENDATION

The Directors (other than the independent non-executive Directors whose views are separately given in the letter from the Independent Board Committee as referred to below) consider that the terms of the Agreement are fair and reasonable to the Company and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement including the issue of the Convertible Bond and the Conversion Shares.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of the circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the principal factors and reasons considered by them in arriving at such advice set out on pages 19 to 29 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement including the issue of the Convertible Bond and the Conversion Shares.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

19 January 2007

To the Independent Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF FURTHER HOTEL INTERESTS

We refer to the circular dated 19 January 2007 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Hercules Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 19 to 29 to this Circular.

Your attention is drawn to the letter from the Board set out on pages 5 to 16 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Agreement and the advice of the Independent Financial Adviser, we consider that the Agreement including the issue of the Convertible Bond and the Conversion Shares are fair and reasonable so far as the Independent Shareholders are concerned and that the Agreement is in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement including the issue of the Convertible Bond and the Conversion Shares and the Acquisition contemplated therein.

Yours faithfully,
Independent Board Committee of
Far East Consortium International Limited
Mr. David Kwok Kwei Lo Mr. Jian Yin Jiang Mr. Kwok Wai Chan
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee:

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

19 January 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF FURTHER HOTEL INTERESTS

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement, details of which are set out in the letter from the Board contained in the circular of the Company dated 19 January 2007 to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined elsewhere in the Circular.

On 21 December 2006, the Board announced that the Purchaser, a wholly-owned subsidiary of the Company, had entered into the Agreement with the Vendor to acquire the entire issued share capital of Jade River and the related Loans. The Vendor is a connected person of the Company on the basis that he is the Deputy Chairman, the Chief Executive Officer and a substantial Shareholder of the Company. Accordingly, the Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules and the transactions contemplated under the Agreement are subject to approval by the Independent Shareholders, by way of poll, at the EGM. The Vendor and his family members and their respective associates will abstain from voting on the resolution to approve the Agreement at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. David Kwok Kwei Lo, Mr. Jian Yin Jiang and Mr. Kwok Wai Chan, has been constituted to consider the terms of the Agreement and to advise the Independent Shareholders. We have been appointed to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendation with regard to the transactions contemplated under the Agreement, we have reviewed, *inter alia*, (i) the Company’s 2005 and 2006 annual reports and the latest interim report; (ii) the Agreement; (iii) the Berkeley Court Sale

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement; (iv) the May Tower Sale Agreement; (v) the Share price performance from 1 December 2005 to the Latest Practicable Date; and (vi) the valuation report prepared by the Independent Valuer as set out in Appendix I to the Circular. We have considered such other information, analyses and market data as we deemed relevant. We have also conducted verbal discussions with the Independent Valuer regarding the methodology, bases and assumptions employed in the valuation. We have assumed that such information and statements, and any representations made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue as such at the date of the EGM, and that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

The principal factors that we have taken into consideration in arriving at our opinion and recommendation are set out below:

1. Overview

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the entire issued share capital of Jade River, the principal assets of which are the Properties, for an aggregate consideration of HK\$331,445,000. Upon Completion, the Vendor shall absolutely and unconditionally assign the benefits of the Loans to the Purchaser or its nominee free from all encumbrances. Under the Agreement, the Properties shall be acquired on the basis that all the construction and conversion works on the Properties have been completed to the standard as set out in the approved building plan and the specifications drawn up by the interior design firm employed by the Vendor. The Vendor will be responsible for all necessary financing for the construction and conversion works and the Jade River Group will be free of third party liabilities, securities, guarantees, indemnities or contingent liabilities given by or binding on the Jade River Group at Completion except the Loans to be assigned to the Purchaser on Completion, or otherwise the Vendor shall indemnify the Purchaser for the entire amount of such liabilities. The Consideration will be satisfied in full by the issue of the Convertible Bond by the Company to the Vendor or its nominee on Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information on Jade River

Jade River was incorporated on 16 February 2006 in the BVI. Jade River is an investment holding company, the principal assets of which are the indirect interests in the May Tower Sale Parcels and the Berkeley Court Sale Parcels being acquired pursuant to the May Tower Sale Agreement and the Berkeley Court Sale Agreement, respectively.

The May Tower and the Berkeley Court were both originally designed as commercial blocks to be sold as serviced apartments. Both the May Tower and the Berkeley Court are being constructed by development companies beneficially owned by the Vendor; the construction works have started since 2002 and the structure is largely completed.

Development plans for the conversion of the Properties from serviced apartments to hotel/serviced apartments have been submitted to the relevant authorities in Malaysia for approval. It is expected that the Group would commence its hotel business in the Properties in about July 2007.

The lower floors of the May Tower will remain as serviced apartments. A majority of the units on the upper floors of the May Tower from 21st floor to 30th floor inclusive are being converted to hotel rooms and certain units have already been sold as serviced apartments to third parties by the developer. The May Tower has a total gross floor area of approximately 484,000 square feet. It is expected that upon completion of conversion, the May Tower will comprise 179 hotel rooms with a total gross floor area of approximately 56,000 square feet and serviced apartment areas of approximately 428,000 square feet. The proposed 179-room boutique hotel within the 33-storey May Tower is sited fronting Jalan Munshi Abdullah, a major road within the Kuala Lumpur city centre which accommodates the city's prime commercial buildings and purpose-built offices.

A majority of the units on the 1st to 9th floor of the 10-storey Berkeley Court will also be converted to hotel use and certain units have already been sold as serviced apartments to third parties by the developer. The Berkeley Court has a total gross floor area of approximately 140,000 square feet. It is expected that upon completion of the conversion, the Berkeley Court will comprise 310 hotel rooms with a total gross floor area of approximately 95,000 square feet and serviced apartment areas of approximately 45,000 square feet. The proposed 310-room hotel within the 10-storey Berkeley Court is situated within a locality known as Plentong located approximately 12 kilometres to the north-east of the Johor Bahru city centre.

According to the management accounts of the Jade River Group, it recorded an audited net loss of approximately USD14,000 for the period from its incorporation to 30 September 2006. As at 30 September 2006, the Jade River Group had total assets of approximately USD10.0 million, of which property, plant and equipment amounted to approximately USD9.9 million and bank balances amounted to approximately USD0.1 million. Total liabilities amounted to approximately USD9.8 million which included an

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amount owing to director of approximately USD7.7 million. Such amount was unsecured, interest free and repayable on demand and was used to finance the acquisition of the Properties.

3. Reasons for the Acquisition

(a) Business of the Group

The Group is principally engaged in property development and investment, hotel operations, loan financing for hotel operations and treasury management. In the last three years, the Group has emphasized development of its growing chain of 3- to 4-star hotels, in addition to affordable housing for the expanding middle class in China. The Group currently owns seven hotels in Hong Kong and the Dorsett Regency Hotel in Kuala Lumpur, Malaysia and has recently acquired the Sheraton Subang Hotel in Kuala Lumpur, Malaysia.

According to the Company's latest interim report, the Group's Dorsett Regency Hotel in Kuala Lumpur, Malaysia showed double-digit growth in both occupancy and room rates for the six months ended 30 September 2006, and the Board believes the encouraging performance was attributable to the continuous efforts of management as well as the increase in tourists to Malaysia.

As noted in the Company's 2005 and 2006 annual reports and the latest interim report, revenue from hotel operations accounted for an increasingly significant portion of the total revenue of the Group. For the six months ended 30 September 2006 and each of the three financial years ended 31 March 2006, hotel operations accounted for approximately 17.7%, 17.9%, 10.6% and 4.4% of the Group's total revenue respectively. For the six months ended 30 September 2006, the Group reported revenue from hotel operations of HK\$138.0 million, representing an increase of 75.2% over the corresponding period in the previous year. Revenue from hotel operations increased from HK\$36.1 million for financial year 2004 to HK\$59.1 million for financial year 2005 and HK\$204.0 million for financial year 2006, representing year-on-year increases of 63.8% and 245.2%. For the six months ended 30 September 2006 and the two financial years 2006 and 2005, hotel operations reported segment profit margin of 43.6%, 41.0% and 3.5% respectively, compared to loss making results for financial year 2004. We are of the view that the Group's hotel operations continued to make strong progress in terms of revenue and profitability.

(b) Rationale

As stated in the letter from the Board, the Acquisition will provide an opportunity for the Group to increase its hotel interests in Malaysia in accordance with the Group's strategy to build up its recurring income base through expanding its hotel portfolio. The Directors believe the Acquisition will further enhance the Group's hotel portfolio. After Completion, the Group will own four hotels in Malaysia with a total of about 1,300 rooms. The Board expects resources sharing and centralisation of procurement will help improve purchasing, sales and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

marketing, and hotel reservation and booking process, etc. The profitability of the Group's enlarged hotel portfolio will be enhanced on the basis of improved overall operational efficiency. In addition, the Group can further leverage on the expertise of the hotel management team of Dorsett Regency Hotel who will also be responsible for supervising and managing the two new hotels acquired under the Agreement. Also noted in the letter from the Board is that expanding the hotel portfolio in Malaysia is the first step of the Group to diversify its hotel business outside Hong Kong. The Group will continue to look for new hotel projects in Malaysia as well as Singapore and other parts of South-east Asia.

We set out below the statistics published by the Malaysia Tourism Promotion Board regarding tourist arrivals and receipts and the average hotel occupancy rates:

Table 1: Tourist Arrivals and Receipts to Malaysia

Year	Arrivals	Receipts (RM)
2003	10.58 million	21,291.1 million
2004	15.70 million	29,651.4 million
2005	16.43 million	31,954.1 million

Table 2: Average Occupancy Rates of Hotels by Locality

	2003	2004	2005	January – March 2006
Kuala Lumpur	60.5	67.4	71.5	70.3
Johor Bahru	56.4	64.0	63.4	57.6
Malaysia	53.3	60.8	63.6	63.2

As shown, there has been an increasing trend in tourist arrivals and receipts, and the average hotel occupancy rates in Malaysia. The hotel and tourism industry in Malaysia continues to achieve normal pace of growth. According to the Malaysia Tourism Promotion Board, 50 spectacular events will be launched in 2007 to celebrate the country's 50 years of independence. These events are expected to give fresh impetus to the hotel and tourism industry in Malaysia.

Having considered (i) the principal business of the Group includes hotel operations; (ii) the Acquisition is in line with the Group's strategy to expand its hotel portfolio in Malaysia thereby enhancing its recurring income base; and (iii) the outlook for the Malaysia hotel and tourism industry is positive in general, we are of the view that the Agreement is entered into in the usual and ordinary course of business of the Group and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Basis of the Consideration

As stated in the letter from the Board, the consideration for the Acquisition of HK\$331,445,000 was negotiated between the parties at arm's length, having regard to the provisional valuations prepared by the Independent Valuer and the stipulation that the Agreement is conditional on the receipt by the Purchaser of the formal valuations showing a total open market value of the Properties of not less than RM151 million.

(a) Independent professional valuation of the Properties

The fair market value of the May Tower Sale Parcels and Berkeley Court Sale Parcels were valued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent valuer, as of 15 December 2006 at RM75 million (approximately HK\$164.6 million) and RM76 million (approximately HK\$166.8 million) respectively. A copy of the valuation report is set out in Appendix I to the Circular. The valuation has been made on an open market basis and on the basis that each building is completed in accordance to the amended approved building plans submitted to the relevant authorities in Malaysia for conversion from serviced apartments to hotel/serviced apartments and is ready for occupation.

To assess the fairness and reasonableness of the valuation report, we have discussed with the Independent Valuer and reviewed the methodology, bases and key assumptions employed in the valuation. We understand that the Independent Valuer has applied the Comparison Method of Valuation approach which considers the market value of the Properties by comparing and adopting as a yardstick recent transactions and sale evidences involving other properties of similar characteristics, including location, plot size, building design and condition, improvements and renovation works made, if any, surrounding developments, facilities and amenities available. Based on our discussions with the Independent Valuer and review of the valuation report, we consider that the methodology applied is consistent with market practice and overall the bases and assumptions used are fair, reasonable and complete, and therefore the valuation is fair and reasonable. On the basis of the valuation and our assessment of it, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned.

5. Financing of the Acquisition

Pursuant to the Agreement, the Consideration will be satisfied in whole by the issue of the Convertible Bond by the Company to the Vendor or its nominee on Completion. The Convertible Bond will bear no interest and, if not converted, will be redeemed at par on the fifth anniversary of its issuance. The Convertible Bond can be converted into the Conversion Shares at the initial conversion price of HK\$4.3 per Conversion Share during the conversion period but is not assignable or transferable without prior written consent of the Company. A summary of the principal terms of the Convertible Bond is contained in the letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the terms of the Convertible Bond, we have identified, to the best of our knowledge, from the website of the Stock Exchange and reviewed for reference purpose the terms of other five-year term, unlisted, unsecured, unguaranteed convertible bonds/notes (the “**Comparables**”) issued by companies listed on the main board of the Stock Exchange since 1 May 2006 and up to 21 December 2006, being the date of the announcement. Details of the Comparables are summarised below:

Comparables (stock code)	Date of announcement	Principal amount <i>HK\$ million</i>	Life <i>years</i>	Coupon	Redemption price at maturity	YTM	Premium / (Discount) implied by the initial conversion price ⁽¹⁾
U-RIGHT International Holdings Limited (627)	09-Oct-06	60.0	5	0.0%	137.7%	6.5%	12.9%
Allied Properties (H.K.) Limited (56)	21-Sep-06	537	5	7% ⁽³⁾ 4% ⁽⁴⁾	100.00%	5.6%	17.5%
First Natural Foods Holdings Limited (1076)	15-Aug-06	116	5	3.0%	107.5%	4.4%	4.9%
Chevalier International Holdings Limited (25) ⁽⁵⁾	27-Jul-06	450	5	2.1%	121.3%	6.6%	16.1%
Hanny Holdings Limited (275)	06-Jul-06	1,170 ⁽²⁾	5	1.0%	110.0%	2.9%	9.2%
China Water Affairs Group Limited (855)	26-Jun-06	30	5	2.5%	126.4%	7.0%	13.6%
Daido Group Limited (544)	07-Jun-06	104	5	0.0%	100.0%	0.0%	(3.3)%
Capital Strategic Investment Limited (497)	18-May-06	133	5	1.5%	110.0%	3.4%	9.4%
Maximum						7.0%	17.5%
Minimum						0.0%	(3.3)%
Average						4.6%	10.0%
Median						5.0%	11.2%
The Company	21-Dec-06	331.4	5	0.0%	100.0%	0.0%	15.0%

Notes:

- Based on the closing price of the shares on the date of the relevant agreement or, in the case the date of the relevant agreement is not a trading day, the last trading day.
- Convertible notes denominated in US\$ have been converted into HK\$ at the exchange rate of US\$1=HK\$7.8.
- Before the commencement of the conversion period.
- After the commencement of the conversion period.
- Consideration for the bonds was HK\$434,250,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

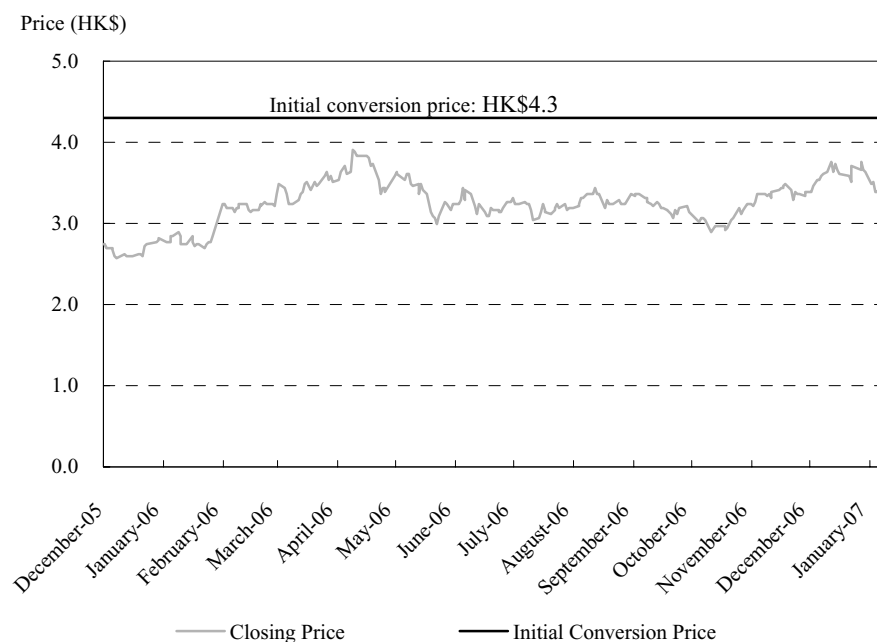
(a) Analysis of the yield to maturity

The Convertible Bond has a zero yield to maturity (“YTM”) on the basis that it bears no interest and is redeemable at par. As indicated in the table above, the YTM of the Comparables range from 0 to 7%, with an average of approximately 4.6%. The YTM of the Convertible Bond is therefore materially lower than the market range.

(b) Analysis of the Conversion Price

As stated in the letter from the Board, the initial conversion price of the Convertible Bond of HK\$4.3 per Share has been determined after arms’ length negotiation between the Purchaser and the Vendor with reference to the recent market price of the Shares and the terms and conditions of the Convertible Bond.

A chart of historical closing price of the Shares for the period of twelve full calendar months prior to 21 December 2006, being the date of the announcement, and from that date to the Latest Practicable Date (the “**Review Period**”) as compared to the initial conversion price is set out below:



As illustrated above, the initial conversion price of HK\$4.3 is higher than the closing prices of the Shares during the entire Review Period. During the Review Period, the highest closing price of the Share of HK\$4.00 was recorded on 11 April 2006 and the lowest closing price of HK\$2.575 was recorded on 8 December 2005. The initial conversion price of the Convertible Bond of HK\$4.3 represents a premium of approximately 7.5% and 67.0% to such highest and lowest closing prices respectively. The initial conversion price of the Convertible Bond of HK\$4.3 also represents a premium of 31.1% over the average closing price of approximately HK\$3.28 during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the initial conversion price of HK\$4.30 per Share also represents:

- (i) a premium of approximately 25.36% over the closing price of HK\$3.43 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 21.47% over the average closing price of approximately HK\$3.54 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Latest Practicable Date;
- (iii) a premium of approximately 14.97% over the closing price of HK\$3.74 per Share as quoted on the Stock Exchange on 21 December 2006, being the date of the Agreement;
- (iv) a premium of approximately 16.53% over the average closing price of approximately HK\$3.69 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including the date of the Agreement;
- (v) a premium of approximately 74.80% over the audited net tangible assets of the Group of HK\$2.46 per Share as at 31 March 2006; and
- (vi) a premium of approximately 66.02% over the unaudited net tangible assets of the Group of HK\$2.59 per Share as at 30 September 2006.

In view of the above and having considered that the initial conversion prices of the Comparables to their respective closing prices on the date of agreement or the last trading day (as the case may be) range from a discount of approximately 3.3% to a premium of approximately 17.5% and that the premium represented by the initial conversion price of the Convertible Bond to the closing price of HK\$3.74 per Share on the date of the Agreement of 14.97% falls in the top-end of the prevailing market range, we are of the view that the initial conversion price of the Convertible Bond is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Dilution effect of the issue of the Conversion Shares and other financing alternatives

A total of 77,080,232 Conversion Shares will be issued upon full conversion of the Convertible Bond, which represents approximately 5.30% of the existing share capital of the Company and approximately 5.03% of the share capital of the Company as enlarged by the Conversion Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the table set out in the section headed “Effect on the shareholding structure of the Company” in the letter from the Board, Independent Shareholders will suffer a dilution of approximately 5.0% to their shareholdings after issuance of the Conversion Shares but before conversion of the existing outstanding convertible bonds.

As noted in the letter from the Board, the Consideration was agreed by the Board taking into account, *inter alia*, that (i) no immediate cash outflow is required under the Acquisition; (ii) the Convertible Bond is zero coupon, has no premium on redemption, no put option, no re-set provision and has a conversion price (subject to adjustment) which reflects a premium over recent market prices of the Shares and the latest net tangible asset value of the Group; and (iii) there is no immediate dilution effect on the shareholding interests of the Independent Shareholders. In view of the above and having considered that:

- (i) the issue of the Convertible Bond would enable the Company to complete the Acquisition without any immediate cash outlay and not having to incur additional interest expense;
- (ii) bank borrowings would adversely affect the Group’s gearing position, increase the Group’s interest expenses and adversely affect the Group’s earnings; and
- (iii) in the event that the Convertible Bond is converted, the capital base of the Company will be enlarged and strengthened,

we are of the view that the potential dilution on Independent Shareholders’ shareholdings is acceptable. Based on the above, we consider the terms of the Convertible Bond are fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Acquisition on the Group

Net asset value

Based on the latest published interim report of the Company, the unaudited consolidated net assets of the Group as at 30 September 2006 was approximately HK\$3,761.2 million. The Acquisition will not have any impact on the net assets of the Group.

Earnings

Jade River will become a wholly owned subsidiary of the Company and the accounts of which will be consolidated in the financial statements of the Company upon completion of the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Agreement at the EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

The following is the text of the valuation reports for the underlying properties interest of the Company as at 15 December 2006, prepared for the purpose of inclusion in this Circular. The reports were prepared by Raine & Horne International, Zaki + Partners Sdn. Bhd., an independent firm of chartered surveyors and registered valuers.

Raine & Horne International Zaki + Partners Sdn. Bhd.

Perpetual 99
Jalan Raja Muda Abdul Aziz
503000 Kuala Lumpur
Malaysia

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

19 January 2007

Dear Sirs,

RE: MARKET VALUATION OF THE PROPOSED 179-ROOM 4-STAR HOTEL SITUATED AT 21ST FLOOR TO 30TH FLOOR WITHIN A BLOCK OF ONGOING HOTEL/SERVICE APARTMENTS DEVELOPMENT KNOWN AS MAY TOWER LOCATED IN THE TOWN AND DISTRICT OF KUALA LUMPUR

AND

THE PROPOSED 310-ROOM 4-STAR HOTEL SITUATED WITHIN A 10-STOREY HOTEL/SERVICE APARTMENT BUILDING KNOWN AS BERKELEY COURT LOCATED IN THE MUKIM OF PLENTONG, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR

1. INSTRUCTION

In pursuance to the instructions received from **FAR EAST CONSORTIUM INTERNATIONAL LIMITED** (referred to as the “Client”) to value the above captioned properties situated in West Malaysia, 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 of the properties as at 15 December 2006 (referred to as the “valuation date”).

2. BASIS OF VALUATION

Our basis of valuation is our opinion of the **Market Value**.

Market Value is defined as the estimated amount for which an asset 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, building design and condition, improvements and renovation works made if any, surrounding developments, facilities and amenities available.

4. ASSUMPTIONS

We have been specifically instructed by the Client to value the subject properties on the assumption that the proposed properties are completed in accordance to the amended approved building plans submitted to the relevant authorities in Malaysia for the conversion of the properties from serviced apartments to hotel/serviced apartments, and are ready for occupation.

Our valuation has been made on the assumption that the Client sells the properties on the open market upon completion 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 consents, approvals and licenses from relevant government for rights to use and occupy the properties have been granted without onerous conditions or undue time delay which might affect their values.

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

Other special assumptions of the properties, if any, have been stated out in the respective footnotes to the valuation certificates for the properties.

However, the amended plan dated 14 November 2006 for a proposed 310 room 4-star hotel/service apartments situated within a 10-storey hotel/service apartment building known as Berkeley Court have been submitted to Jabatan Kawalan Bangunan Majlis Bandaraya Johor Bahru, Johor and is pending for the approval. The amended plan dated 12 September

2006 for a proposed 179 room hotel/service apartments situated on 21st to 30th floor within a 33-storey hotel/service apartment building known as May Tower have been submitted to Jabatan Perancang dan Kawalan Bangunan, Bandar, Dewan Bandaraya Kuala Lumpur is pending for the approval.

5. TITLE INVESTIGATION

We have been, in some instances, provided with extracts of title documents relating to the properties. In addition, we have caused searches to be made at the appropriate government registries for 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.

In undertaking our valuation of the properties held by the Client, we have relied on the legal opinion provided by the Client's Malaysian legal adviser, Syed Alwi, Ng & Co.

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 for any future development. We have assumed that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. 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 available to us.

We have relied to a considerable extent on the information provided by the Client and have accepted advice given to us by it on matters such as statutory notices, easements, tenure, occupancy, site and floor areas and in the 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 valuations for any charge, mortgage or amount owing on any property interest nor for expense or taxation which may be 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 values.

Our valuation has been prepared in accordance with all the requirements contained in Practice Note 12 and Chapter 5 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

7. REMARKS

The properties interests have been valued in RM (Malaysian Ringgit).

We enclose herewith our summary of valuation and valuation certificates.

Yours faithfully,

For and on behalf of

Raine & Horne International Zaki + Partners Sdn. Bhd.

Noraini bt Jaafar Sidek

Registered Valuer (MIS)

Associate Director

Note: Noraini bt Jaafar Sidek is a Member of the Malaysian Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 15 years experience in valuation of properties in Malaysia for listed companies.

VALUATION CERTIFICATES

Property 1 – Property held by Mayland Boulevard Sdn. Bhd.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 15 December 2006
A proposed 179 – Room 4-Star Hotel situated at 21st Floor to 30th Floor within a 33-storey hotel/service apartment building.	Basic utility services such as electricity supply, water supply, telephone, air conditioning etc. are to be provided to the property.	The property is currently under construction	RM75,000.000.00
The subject property is sited fronting Jalan Munshi Abdullah, Kuala Lumpur	Site Area: 2,162 sq. metres (23,271.55 sq. ft.). Hotel Floor Area: 5,158.17 sq. metres (55,522 sq. ft.). The land is a freehold land and to be used for commercial building only. The land is held under Title No. GRN 54118, Town and District of Kuala Lumpur, Wilayah Persekutuan. Annual government rent is RM9,946.00.	The percentage of completion of the building works is approximately 68%. The construction works are estimated to be completed in April 2007.	

Notes:

- a. According to the Group's Malaysian legal advisor, Syed Alwi, Ng & Co, as at 13 December 2006:
 - (i) The ownership of the property is valid and correct;
 - (ii) The land is free from encumbrances except that a Registry Caveat was entered on the land via Presentation No. 3336/2004 registered on 22 March 2004. An extraction of the said Registrar's Caveat at the Kuala Lumpur Land Office reveals that the said Registrar's Caveat was entered by the Government of Malaysia pursuant to a government loan taken by a customer of Mayland Boulevard Sdn. Bhd. for the purchase of a parcel within May Tower ("the Affected Parcel"). The Affected Parcel does not form one of the May Tower Sale Parcels to be acquired by Venue Summit.
- b. Raine & Horne International Zaki + Partners Sdn. Bhd. confirms that the Registry Caveat mentioned in (a) above does not affect its valuation on May Tower Sale Parcels.

Property 2 – Property held by Mayland Projects (Johor) Sdn. Bhd.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 15 December 2006
A proposed 310 – Room 4-star hotel within a 10-storey hotel/ service apartment building.	Basic utility services such as electricity supply, water supply, telephone, air conditioning, etc. are to be provided to the property.	The property is currently under construction	RM76,000.000.00
The subject property is sited fronting Jalan Masai Baru, Johor Bahru.	Built Site Area: 4,370 sq. metres (47,038.24 sq. ft.)	The percentage of completion of the building works is approximately 95%.	
	Hotel Floor Area: 8,804.06 sq. metres (94,766.00 sq. ft.)	The construction works are estimated to be completed in January 2007.	
	The land is a freehold land and shall be used solely for service apartment building for residential/ commercial/club house.		
	The land is held under Title No. H.S. (D) 227751, Mukim of Plentong, District of Johor Bharu, State of Johor.		
	Annual government rent is RM238,560.00.		

Notes:

According to the Group's Malaysian legal advisor, Syed Alwi, Ng & Co, as at 13 December 2006:–

- (i) The ownership of the property is valid and correct;
- (ii) The land is free from encumbrances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

- a. 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:

(i) Shares

Name of Director	Nature of interests	Number of ordinary shares held			Total	Percentage of issued share capital of the Company ⁽¹⁾
		Personal interests	Corporate interests	Beneficial interests in underlying Shares		
Deacon Te Ken Chiu	Long position	10,727,697	117,444,283 ⁽²⁾	–	128,171,980	8.80%
David Chiu	Long position	652,581	328,491,368 ⁽³⁾	11,000,000 ⁽⁴⁾	340,143,949	23.37%
Dennis Chiu	Long position	8,370	5,050,793 ⁽⁵⁾	–	5,059,163	0.34%
Ching Lan Ju Chiu	Long position	1,338,068	–	–	1,338,068	0.09%
Dick Tat Sang Chiu	Long position	853,319	–	–	853,319	0.05%
Daniel Tat Jung Chiu	Long position	40,132	3,877,218 ⁽⁶⁾	–	3,917,350	0.26%

Notes:

- (1) As at the Latest Practicable Date, the total number of issued shares of the Company were 1,454,911,409 Shares.
- (2) These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (3) These shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' David Chiu.
- (4) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 26 April 2006 to 26 April 2007.
- (5) 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.
- (6) These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(ii) Share options

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

(iii) Shares in associated corporations

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

Name of Director	Name of associated corporation	Number of ordinary shares held
Deacon Te Ken Chiu	Kanic Property Management Limited	2
David Chiu	Oi Tak Enterprises Limited	250,000

Save as disclosed in this circular, 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.

- b. 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).
- c. As at the Latest Practicable Date, save for the Agreement, none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 March 2006, being the date to which the latest published audited consolidated accounts of the Group were made up.
- d. As at the Latest Practicable Date, save for the Agreement, none of the Directors was materially interested in any contracts or arrangements which were subsisting at the Latest Practicable Date and were significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

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 so 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	Number of ordinary shares held	%
Deutsche Bank Aktiengesellschaft (“DBA”)	135,237,824 (<i>Note</i>)	9.30
Penta Investment Advisers Ltd.	252,066,576	17.33

Note: According to the notice to the Company from DBA, as at the Latest Practicable Date, DBA had interest of 135,237,824 Shares and 24,776,473 Shares were held in short position.

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, 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. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

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

6. EXPERTS

- (a) The following are the qualifications of the experts:

Name	Qualification
Hercules Capital Limited	a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance)
Raine & Horne International Zaki + Partners Sdn. Bhd.	Registered valuers

- (b) As at the Latest Practicable Date, none of Independent Valuer and the Independent Financial Adviser is interested in any Share or share in any member of the Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group. As at the Latest Practicable Date, none of the aforesaid parties had any direct or indirect interests in any assets which have since 31 March 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.
- (c) Each of Independent Financial Adviser and the Independent Valuer has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

7. MISCELLANEOUS

- (a) The qualified accountant and the company secretary of the Company is Bill Kwai Pui Mok, MBA, AICPA, HKICPA.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, the date to which the latest published audited accounts of the Company were made up.
- (d) The English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS 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:

- (a) the letter of advice from the Independent Financial Adviser as set out in this circular;
- (b) the letter from the Independent Board Committee as set out in this circular;
- (c) the written consents of the experts referred to in paragraph 6(c) of this appendix;
- (d) the Agreement; and
- (e) the property valuation report from the Independent Valuer, the text of which is set out in appendix I to this circular.

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 the above mentioned company (the “Company”) will be held at the La Maison de l’Orient, 1/F., Cosmopolitan Hotel, 387-397 Queen’s Road East, Wanchai, Hong Kong, on 5 February 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into by Far East Consortium Limited of the Sale and Purchase Agreement dated 21 December 2006 (the “**Sale and Purchase Agreement**”) with Mr. David Chiu be and is hereby approved and confirmed;
- (b) the acquisition of the entire issued share capital of Jade River Profits Limited and all loans granted by Mr. David Chiu to Jade River Profits Limited and its subsidiaries on and subject to the terms and conditions set out in the Sale and Purchase Agreement be and is hereby approved;
- (c) the issue of a Convertible Bond by the Company to Mr. David Chiu in the principal amount of HK\$331,445,000 as consideration for the aforementioned acquisition containing the terms set out in Schedule 6 of the Sale and Purchase Agreement be and is hereby approved;
- (d) the other transactions contemplated by the Sale and Purchase Agreement be and is hereby approved; and
- (e) the Directors of the Company be and are hereby authorised to take such other actions and execute such further documents or deeds as they may consider necessary or desirable for the purpose of implementing and giving effect to the transactions contemplated by the Sale and Purchase Agreement.”

By order of the Board

Bill Kwai Pui Mok

Chief Financial Officer and Company Secretary

Dated 19 January 2007

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.

NOTICE OF EGM

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 registrar, Standard Registrars 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.
5. The vote at the meeting will be taken by poll.