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

If you have sold or transferred all your shares in Dorsett Hospitality International Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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The Scheme Document is provided for information purposes only and is not intended to and does not constitute, or form part of, any offer to purchase or subscribe for or an invitation to purchase or subscribe for any securities of Willow Bliss Limited, Far East Consortium International Limited or Dorsett Hospitality International Limited.



FAR EAST CONSORTIUM INTERNATIONAL LIMITED
遠東發展有限公司*

(Incorporated in the Cayman Islands with limited liability)
Website: <http://www.fecil.com.hk>
(Stock Code: 35)

CNY1,000,000,000 5.875 per cent. Bonds due 2016
(Bond Stock Code: 85915)

Willow Bliss Limited

(Incorporated in the British Virgin Islands with limited liability)



DORSETT

HOSPITALITY INTERNATIONAL

帝盛酒店集團

Dorsett Hospitality International Limited
帝盛酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Website: <http://www.dorsett.com>
(Stock Code: 2266)

CNY850,000,000 6.0 per cent. Bonds due 2018
(Bond Stock Code: 85917)

**PROPOSED PRIVATISATION OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
PROPOSED WITHDRAWAL OF THE LISTING OF THE SHARES OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED**

Financial Adviser to FEC and the Offeror



Independent Financial Adviser to the Dorsett Independent Board Committee

ALTUS CAPITAL LIMITED

Unless the context requires otherwise, terms used in this Scheme Document are defined under the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Dorsett Board is set out in Part IV of this Scheme Document. A letter from the Dorsett Independent Board Committee, containing its advice to the Independent Dorsett Shareholders and holders of Dorsett Options in connection with the Scheme and the Rule 13 Offer is set out in Part V of this Scheme Document. A letter from Altus Capital Limited, being the Dorsett Independent Financial Adviser to the Dorsett Independent Board Committee, containing its advice to the Dorsett Independent Board Committee in connection with the Scheme and the Rule 13 Offer, is set out in Part VI of this Scheme Document. An Explanatory Statement regarding the Scheme is set out in Part VII of this Scheme Document.

The actions to be taken by Dorsett Shareholders and holders of Dorsett Options are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 2:30 p.m. on 22 September 2015 and the Extraordinary General Meeting to be held either at 4:00 p.m. on 22 September 2015 or immediately after the conclusion or the adjournment of the Court Meeting are set out in Appendix IX and Appendix X to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of Dorsett's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under Part II of this Scheme Document.

This Scheme Document is issued jointly by the Offeror, FEC and Dorsett.

The English language texts of this Scheme Document, the Rule 13 Offer Letter and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

* For identification purposes only

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In this Scheme Document, the following terms and expressions have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Adjusted NAV”	audited consolidated net asset value as at 31 March 2015 of the Dorsett Group and the FEC Group, as the case may be, as adjusted for events after 31 March 2015 as described in Appendix I to this Scheme Document under paragraph V — Property Interests and Adjusted Net Asset Value for the Dorsett Group, and in Appendix II to this Scheme Document under paragraph V — Property Interests and Adjusted Net Asset Value for the FEC Group
“Announcement”	the announcement dated 27 May 2015 issued jointly by FEC, the Offeror and Dorsett in relation to, among other things, the Scheme, the Proposal and the Rule 13 Offer
“Announcement Date”	27 May 2015, being the date of the Announcement
“associate”	has the meaning ascribed to it in the Takeovers Code
“AUD”	means Australian dollar(s), the lawful currency of Australia
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals required in connection with the Scheme and the Proposal
“Beneficial Owner”	any beneficial owner of Dorsett Shares whose Dorsett Shares are registered in the name of a Registered Owner
“Board”	the board of directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	in respect of each Scheme Share, a cash payment of HK\$0.72 and 0.28125 FEC Consideration Share (any fraction of FEC Consideration Shares will not be issued)

“Care Park Group”	Care Park Group Pty Ltd, a non-wholly owned subsidiary of the FEC Group, and its subsidiaries
“CBRE”	CBRE Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	has the meaning ascribed to it in the General Rules of CCASS
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised, of the Cayman Islands
“Conditions”	the conditions to the implementation of the Scheme and the Proposal as set out in the section headed “4. Conditions of the Scheme and the Proposal” in Part VII of this Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court, which is to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong at 2:30 p.m. on 22 September 2015, notice of which is set out in Appendix IX to this Scheme Document, or any adjournment thereof
“Court Orders”	the orders of the Grand Court confirming the sanction of the Scheme as required by the Companies Law and confirming the reduction of the issued share capital of Dorsett resulting from the cancellation of the Scheme Shares as required by the Companies Law
“Dorsett”	Dorsett Hospitality International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 2266)
“Dorsett Board”	the Board of Dorsett
“Dorsett Bonds”	bonds issued by Dorsett with the stock code 85917
“Dorsett Group”	Dorsett and its subsidiaries

“Dorsett Independent Board Committee”	the independent board committee of Dorsett, comprising three independent non-executive directors of Dorsett, being Mr. SHEK Lai Him Abraham, G.B.S., J.P., Mr. TO Peter and Mr. ANGELINI Giovanni, established by the Dorsett Board to make a recommendation to the Independent Dorsett Shareholders and holders of Dorsett Options in respect of the Proposal and the Rule 13 Offer
“Dorsett Independent Financial Adviser” or “Altus”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Dorsett Independent Board Committee in connection with the Proposal and the Rule 13 Offer
“Dorsett Option(s)”	the outstanding, vested and unvested, share option(s), each relating to one Dorsett Share, granted under the Share Option Scheme from time to time
“Dorsett Options Offer Price” or “Dorsett Option Offer Price”	the offer price of HK\$0.01 per Dorsett Option; as the exercise price applicable to each Dorsett Option is HK\$2.20 and is higher than the value of the Cancellation Consideration of HK\$1.80 (based on aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), the Offeror offers the holders of Dorsett Options the Dorsett Options Offer Price, which is a nominal value of HK\$0.01 in accordance with the “see-through” principle of Rule 13 of the Takeovers Code, for each Dorsett Option that they hold
“Dorsett Share(s)”	ordinary share(s) in the share capital of Dorsett
“Dorsett Shareholder(s)”	registered holder(s) of Dorsett Shares
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Law
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof

“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document and issued in compliance with the Rules of the Grand Court of the Cayman Islands 1995 (revised)
“Extraordinary General Meeting”	the extraordinary general meeting of Dorsett to be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong at 4:00 p.m. on 22 September 2015 (or immediately after the conclusion or adjournment of the Court Meeting convened on the same day and place), notice of which is set out in Appendix X to this Scheme Document, or any adjournment thereof
“FEC”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of Dorsett and the ultimate holding company of the Offeror. The shares of FEC are currently listed on the Main Board of the Stock Exchange (stock code: 35)
“FEC Bonds”	bonds issued by FEC with the stock code 85915
“FEC Consideration Shares”	new FEC Shares to be issued as part of the payment of the consideration to the Scheme Shareholders in exchange for the cancellation of the Scheme Shares under the Scheme
“FEC Group”	FEC and its subsidiaries
“FEC Option(s)”	the outstanding, vested and unvested, share option(s), each relating to one FEC Share, granted under the share option schemes adopted by FEC on 28 August 2002 and 31 August 2012
“FEC Share(s)”	ordinary share(s) in the share capital of FEC
“Form(s) of Acceptance”	the form(s) of acceptance dispatched to holders of Dorsett Options in connection with the Rule 13 Offer
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“HKSAR Hotel”	Hong Kong (SAR) Hotel Limited, a former subsidiary of Dorsett incorporated in Hong Kong with limited liability
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Dorsett Shareholder(s)”	Dorsett Shareholder(s) other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Independent Dorsett Shareholders include any member of the Investec group acting in its capacity as a Registered Owner of Dorsett Shares held on behalf of a Beneficial Owner in respect of those shares only where the Beneficial Owner (i) controls the voting rights attaching to those Dorsett Shares; (ii) if Dorsett Shares are voted, gives instructions as to how those Dorsett Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party
“Investec”	Investec Capital Asia Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the financial adviser to FEC and the Offeror in connection with the Proposal and the Rule 13 Offer
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Last Trading Day”	20 May 2015, being the last trading day of Dorsett Shares and FEC Shares prior to the issuance of the Announcement
“Latest Option Exercise Date”	3:30 p.m. on 30 September 2015, being the expected latest time and date upon which holders of outstanding Dorsett Options must exercise their vested and outstanding Dorsett Options in order for holders of outstanding Dorsett Options to qualify for entitlements under the Scheme
“Latest Practicable Date”	28 August 2015, being the latest practicable date for ascertaining certain information contained in this Scheme Document

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	23 November 2015, being the date which is 180 days after the Announcement Date
“Matching Period”	the period commencing from the Effective Date to Monday, 7 December 2015 (both days inclusive) pursuant to which Fulbright Securities Limited shall provide to Scheme Shareholders who wish to sell their odd lots of FEC Consideration Shares received under the Scheme, on a best efforts basis, a service to match the sale and purchase of odd lots of FEC Consideration Shares
“Meeting Record Date”	22 September 2015, being the record date for the purpose of determining the entitlement of the Independent Dorsett Shareholders to attend and vote at the Court Meeting and the entitlement of Dorsett Shareholders to attend and vote at the Extraordinary General Meeting, or such other date as announced by Dorsett
“NAV”	net asset value
“Offeror”	Willow Bliss Limited, a wholly-owned subsidiary of FEC incorporated in the British Virgin Islands with limited liability
“Offeror Concert Parties”	FEC and other parties acting in concert with the Offeror or FEC in relation to Dorsett including Investec which is presumed to be acting in concert with the Offeror
“Other CCASS Participant”	a person admitted to participate in CCASS other than the Investor Participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region and the Republic of Taiwan)
“Proposal”	the proposal for the privatisation of Dorsett by the Offeror by way of the Scheme

“Registered Owner”	any owner of Dorsett Shares (including, without limitation, a nominee, trustee, depository or any other authorised custodian or other party) whose name is entered in the register of members of Dorsett
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Resolutions”	(i) the resolution to approve the Scheme to be considered at the Court Meeting; and (ii) the special resolution to approve the reduction of the issued share capital of Dorsett by cancelling and extinguishing the Scheme Shares and the ordinary resolution to approve the immediate restoration of the issued share capital of Dorsett to its former amount by the issue of the same number of Dorsett Shares as the number of Scheme Shares cancelled, credited as fully paid, to the Offeror to be considered at the Extraordinary General Meeting
“RMB” or “CNY”	Renminbi or Chinese Yuan, the lawful currency of the PRC
“Rule 13 Offer”	the conditional offer made by the Offeror to the holders of outstanding Dorsett Options on the terms and subject to the conditions contained in this Scheme Document and the Rule 13 Offer Letters
“Rule 13 Offer Letter(s)”	the letter(s) dated 31 August 2015 setting out the terms and conditions of the Rule 13 Offer sent separately to holders of outstanding Dorsett Options and substantially in the form set out in Appendix XI to this Scheme Document
“Rule 13 Offer Record Date”	6 October 2015, or such other time and date as shall have been announced to Dorsett Shareholders and holders of outstanding Dorsett Options, being the record date for the purpose of determining entitlements under the Rule 13 Offer
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law as set out in Appendix VIII to this Scheme Document involving the cancellation of all the Scheme Shares and the restoration of the share capital of Dorsett to the amount immediately before the cancellation of the Scheme Shares

“Scheme Document”	this composite document, including each of the letters, statements, appendices and notices herein
“Scheme Record Date”	6 October 2015, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Consideration under the Scheme, or such other time and date as announced by Dorsett
“Scheme Share(s)”	Dorsett Share(s) other than those held by the Offeror and FEC as at the Scheme Record Date
“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Scheme Record Date
“Securities and Futures Commission”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme adopted by Dorsett on 10 September 2010
“Sq. m.” or “Sqm”	Square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“UK”	the United Kingdom
“US\$”	means the lawful currency of the United States of America
“£”	means pound sterling, the lawful currency of the UK

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme and to confirm the capital reduction and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

1. ACTIONS TO BE TAKEN BY DORSETT SHAREHOLDERS

For the purpose of determining the entitlements of the Independent Dorsett Shareholders to attend and vote at the Court Meeting and the entitlements of Dorsett Shareholders to attend and vote at the Extraordinary General Meeting, the register of members of Dorsett will be closed from 16 September 2015 to 22 September 2015 (both days inclusive) and during such period, no transfer of Dorsett Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged for registration with Dorsett's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 15 September 2015.

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting, if you are an Independent Dorsett Shareholder, we strongly urge you to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Dorsett Shareholder, we strongly urge you to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of Dorsett's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 2:30 p.m. on 20 September 2015, and the white form of proxy for use at the Extraordinary General Meeting should be lodged not later than 4:00 p.m. on 20 September 2015. The completion and return of a form of proxy for the Court Meeting and/or the Extraordinary General Meeting will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Extraordinary General Meeting, you will still be bound by the outcome of the Court Meeting and the Extraordinary General Meeting if, among other things, the Resolutions are passed by the requisite majorities of the Independent Dorsett Shareholders or Dorsett Shareholders (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and/or the Extraordinary General Meeting in person or by proxy.

Dorsett will make an announcement in relation to the results of the Court Meeting and the Extraordinary General Meeting on 22 September 2015. If all the Resolutions are passed at those meetings, Dorsett will make further announcements of the results of the hearing of the petition as to, among other things, the sanction of the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of Dorsett Shares on the Stock Exchange.

2. ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS

Dorsett will not recognise any person as holding any Dorsett Shares through any trust. If you are a Beneficial Owner whose Dorsett Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Dorsett Shares should be voted at the Court Meeting and/or the Extraordinary General Meeting. Such instructions should be given in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Dorsett Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Dorsett Shares with an Other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the Extraordinary General Meeting. You should contact your broker, custodian, nominee or other relevant person in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which Dorsett Shares of the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Dorsett Shares shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

If you are a Beneficial Owner whose Dorsett Shares are deposited in CCASS, you may also elect to become a Dorsett Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are an Independent Dorsett Shareholder) and the Extraordinary General Meeting (as a Dorsett Shareholder). You can become a Dorsett Shareholder of record by withdrawing all or any of your Dorsett Shares from CCASS and becoming a Registered Owner of such Dorsett Shares. For withdrawal of Dorsett Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Dorsett Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the relevant latest time for lodging transfers of Dorsett Shares into your name so as to qualify to attend and vote at the Court Meeting and the Extraordinary General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw Dorsett Shares from CCASS and register them in your name.

3. ACTIONS TO BE TAKEN BY HOLDERS OF DORSETT OPTIONS

The Rule 13 Offer Letter is being sent to each holder of outstanding Dorsett Options, together with this Scheme Document and a Form of Acceptance. If you are a holder of outstanding Dorsett Options as at the Rule 13 Offer Record Date and you wish to accept the Rule 13 Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of FEC at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, for the attention of the Board of the Offeror and marked "Dorsett Hospitality International Limited — Rule 13 Offer" by no later than 4:00 p.m. on 20 October 2015 (or such later date and time as may be notified to you by FEC, the Offeror or Investec). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Dorsett Options or any other document will be given. The Offeror will offer the Dorsett Options Offer Price of HK\$0.01. As the exercise price applicable to each Dorsett Option is HK\$2.20 and is higher than the value of the Cancellation Consideration of HK\$1.80 (based on aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), the Offeror offers the holders of Dorsett Options the Dorsett Options Offer Price, which is a nominal value of HK\$0.01 in accordance with the "see-through" principle of Rule 13 of the Takeovers Code, for each Dorsett Option that they hold.

All holders of Dorsett Options must lodge the duly completed and executed Form of Acceptance as mentioned above at or before 4:00 p.m. on 20 October 2015 (or such later date and time as may be notified to you by FEC, the Offeror or Investec).

You are urged to read the instructions and other terms and conditions of the Rule 13 Offer in the Rule 13 Offer Letter, substantially in the form set out in Appendix XI to this Scheme Document.

4. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A DORSETT SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND DORSETT STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EXTRAORDINARY GENERAL MEETING. IF YOU KEEP ANY DORSETT SHARES IN A SHARE LENDING PROGRAM, THE OFFEROR AND DORSETT URGE YOU TO RECALL ANY OUTSTANDING DORSETT SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING DORSETT SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND DORSETT WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.

Hong Kong Time
(unless otherwise stated)

Date of dispatch of this Scheme Document Monday, 31 August 2015

Date of dispatch of the Rule 13 Offer Letter
for Dorsett Options Monday, 31 August 2015

Latest time for holders to exercise their vested and
outstanding Dorsett Options in order to
become entitled to vote at the Court Meeting and
the Extraordinary General Meeting (*Note a*) 3:30 p.m. on
Tuesday, 15 September 2015

Latest time for lodging transfers of
Dorsett Shares in order to become entitled
to vote at the Court Meeting and
the Extraordinary General Meeting 4:30 p.m. on
Tuesday, 15 September 2015

Register of members of Dorsett closed for
determination of entitlements of
Independent Dorsett Shareholders
to attend and vote at the Court Meeting
and of Dorsett Shareholders
to attend and vote at the
Extraordinary General Meeting (*Note b*) from Wednesday, 16 September 2015
to Tuesday, 22 September 2015
(both days inclusive)

Latest time for lodging forms of proxy in respect of (*Note c*)

- Court Meeting 2:30 p.m. on Sunday, 20 September 2015
- Extraordinary General Meeting 4:00 p.m. on Sunday, 20 September 2015

Meeting Record Date Tuesday, 22 September 2015

Suspension of trading in the respective
securities of FEC and Dorsett
on the Stock Exchange 9:00 a.m. on Tuesday, 22 September 2015

Court Meeting (*Note d*) 2:30 p.m. on Tuesday, 22 September 2015

Extraordinary General Meeting (*Note d*) 4:00 p.m. on Tuesday, 22 September 2015
(or immediately after the conclusion
or adjournment of the Court Meeting)

Announcement of the results of the
Court Meeting and the Extraordinary
General Meeting posted on the website
of the Stock Exchange not later than 7:00 p.m. on
Tuesday, 22 September 2015

Hong Kong Time
(unless otherwise stated)

Resumption of trading in the respective securities of FEC and Dorsett on the Stock Exchange	9:00 a.m. on Wednesday, 23 September 2015
Expected last day for trading in Dorsett Shares on the Stock Exchange	4:00 p.m. on Friday, 25 September 2015
Latest time for holders of Dorsett Options to exercise their vested and outstanding Dorsett Options in order to qualify as Scheme Shareholders for entitlements under the Scheme (<i>Note e</i>)	3:30 p.m. on Wednesday, 30 September 2015
Latest time for lodging transfers of Dorsett Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Wednesday, 30 September 2015
Register of members of Dorsett closed for determining entitlements under the Scheme (<i>Note f</i>)	from Friday, 2 October 2015 onwards
Court hearing of the petition to sanction the Scheme and to confirm the capital reduction	Friday, 2 October 2015 (Cayman Islands time)
Announcement of the result of the court hearing to sanction the Scheme and to confirm the capital reduction, the expected Effective Date and the expected date of withdrawal of listing of Dorsett Shares on the Stock Exchange	Tuesday, 6 October 2015
Scheme Record Date	Tuesday, 6 October 2015
Rule 13 Offer Record Date	Tuesday, 6 October 2015
Effective Date (<i>Note g</i>)	Tuesday, 6 October 2015 (Cayman Islands time)
The commencement of the Matching Period during which a service to match the sale and purchase of odd lots of the FEC Consideration Shares will be provided	Tuesday, 6 October 2015 (Cayman Islands time after the Scheme becomes effective)
Announcement of the Effective Date and the withdrawal of the listing of Dorsett Shares on the Stock Exchange	not later than 7:00 p.m. on Wednesday, 7 October 2015

Hong Kong Time
(unless otherwise stated)

Withdrawal of the listing of Dorsett Shares on the Stock Exchange (<i>Note h</i>)	4:00 p.m. on Wednesday, 7 October 2015
Latest time to dispatch cheques for cash payment and certificates for FEC Consideration Shares under the Scheme	on or before Thursday, 15 October 2015
Latest time to accept the Rule 13 Offer and closing date of the Rule 13 Offer (<i>Note i</i>)	4:00 p.m. on Tuesday, 20 October 2015
Lapse of outstanding Dorsett Options (<i>Note j</i>)	Tuesday, 20 October 2015
Announcement of the results of the Rule 13 Offer on the website of the Securities and Futures Commission	not later than 7:00 p.m. on Tuesday, 20 October 2015
Announcement of the results of the Rule 13 Offer published in one leading English language newspaper and one leading Chinese language newspaper in Hong Kong	Wednesday, 21 October 2015
Latest time to dispatch cheques for cash payment under the Rule 13 Offer, in respect of Dorsett Options as at the Rule 13 Offer Record Date (<i>Note k</i>)	on or before Friday, 30 October 2015
The end of the Matching Period during which a service to match the sale and purchase of odd lots of the FEC Consideration Shares will be provided	Monday, 7 December 2015

Dorsett Shareholders and holders of Dorsett Options should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

- (a) Holders of Dorsett Options that vest after the Meeting Record Date are not able to exercise their Dorsett Options in time to entitle them to attend and vote at the Court Meeting and the Extraordinary General Meeting.
- (b) The register of members of Dorsett will be closed during such period for the purpose of determining the entitlements of the Independent Dorsett Shareholders to attend and vote at the Court Meeting and of Dorsett Shareholders to attend and vote at the Extraordinary General Meeting. This book close period is not for determining entitlements under the Scheme.
- (c) Forms of proxy should be lodged with the office of Dorsett's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than the times and dates stated above. In order to be valid, the pink form of proxy for the Court Meeting and the white form of proxy for the Extraordinary General Meeting must be lodged no later than the latest times and dates stated above or not less than 48 hours before the time appointed for holding an adjourned meeting. Completion and return of a form of proxy for the Court Meeting or the Extraordinary General Meeting will not preclude an Independent Dorsett Shareholder and a Dorsett Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
- (d) The Court Meeting and the Extraordinary General Meeting will be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong at the times and dates specified above. Please see the Notice of Court Meeting set out in Appendix IX to this Scheme Document and the Notice of Extraordinary General Meeting set out in Appendix X to this Scheme Document for details.
- (e) Holders of outstanding Dorsett Options that vest after the Rule 13 Offer Record Date are not able to exercise their outstanding Dorsett Options in time to qualify as Scheme Shareholders for entitlements under the Scheme. Holders of outstanding Dorsett Options as at the Rule 13 Offer Record Date will be entitled to the Rule 13 Offer. If a holder of outstanding Dorsett Options decides not to exercise his/her vested Dorsett Options, the right to exercise such Dorsett Options shall lapse from this time and subject to the Scheme becoming effective, such holder of Dorsett Options shall only be entitled under the Rule 13 Offer in accordance with the terms herein. If the Scheme is not approved, the outstanding Dorsett Options shall remain capable of being exercised in accordance with their original terms.
- (f) The register of members of Dorsett will be closed as from such time and on such date for the purpose of determining which Scheme Shareholders are qualified for entitlements under the Scheme.
- (g) The Scheme will become effective upon all the Conditions set out in the section headed "4. Conditions of the Scheme and the Proposal" in Part VII — Explanatory Statement of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
- (h) If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of Dorsett Shares on the Stock Exchange will be withdrawn at or before 4:00 p.m. on Wednesday, 7 October 2015, being the next trading day after the Effective Date.
- (i) Forms of Acceptance, duly completed and executed in accordance with the instructions on them, must be lodged with the Offeror, care of FEC at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, for the attention of the Board of the Offeror and marked "Dorsett Hospitality International Limited — Rule 13 Offer" not later than 4:00 p.m. on Tuesday, 20 October 2015 (or such later date and time as may be notified by FEC, the Offeror or Investec). Each holder of outstanding Dorsett Options as at the Rule 13 Offer Record Date is entitled to accept the Rule 13 Offer.
- (j) If any holders of outstanding Dorsett Options have not accepted the Rule 13 Offer by 4:00 p.m. on Tuesday, 20 October 2015, the Dorsett Options held by these holders will be cancelled by Dorsett with effect from 4:00 p.m. on Tuesday, 20 October 2015 and these holders will receive neither the Dorsett Options Offer Price nor the Cancellation Consideration.
- (k) Payment by cheque in respect of validly completed and executed Forms of Acceptance received after the Rule 13 Offer Record Date but at or before 4:00 p.m. on Tuesday, 20 October 2015 will be dispatched within seven Business Days following the later of the date that the Rule 13 Offer becomes unconditional and the date of receipt of such validly completed and executed Forms of Acceptance.



DORSETT

HOSPITALITY INTERNATIONAL

帝盛酒店集團

Dorsett Hospitality International Limited

帝盛酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2266)

Executive Directors:

Ms. CHIU Wing Kwan Winnie

Mr. LAI Wai Keung

Non-executive Directors

Tan Sri Dato' CHIU David

Mr. HOONG Cheong Thard

Mr. CHAN Chi Hing

Independent Non-Executive Directors:

Mr. SHEK Lai Him Abraham, G.B.S., J.P.

Mr. TO Peter

Dr. LIU Ngai Wing

Mr. ANGELINI Giovanni

Registered Office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Head Office and Principal Place
of Business:*

18th Floor, Far East Consortium
Building

121 Des Voeux Road Central
Hong Kong

31 August 2015

To Dorsett Shareholders and holders of Dorsett Options

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND**

**PROPOSED WITHDRAWAL OF THE LISTING OF THE SHARES OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED**

1. INTRODUCTION

FEC, the Offeror and Dorsett jointly issued an announcement dated 27 May 2015, which stated that on 20 May 2015, the Board of FEC requested the Board of Dorsett to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of Dorsett by way of a scheme of arrangement under Section 86 of the Companies Law.

The Scheme involves cancellation of all Scheme Shares on the Effective Date. The expected last date for trading in Dorsett Shares on the Stock Exchange will be 4:00 p.m. on 25 September 2015. Upon the Scheme becoming effective, Dorsett will become a wholly-owned subsidiary of FEC and the listing of Dorsett Shares on the Stock Exchange will be withdrawn.

The Offeror has appointed Investec as its financial adviser in connection with the Scheme, the Proposal and the Rule 13 Offer.

The purpose of this Scheme Document is to provide you with further details of the Scheme, the Proposal and the Rule 13 Offer, information regarding Dorsett, information regarding FEC, information regarding the Offeror, the expected timetable and to give you notices of the Court Meeting and the Extraordinary General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to the Letter from the Dorsett Independent Board Committee set out in Part V of this Scheme Document, the Letter from the Dorsett Independent Financial Adviser set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix VIII to this Scheme Document.

2. THE PROPOSAL

Subject to the conditions described in the section headed “4. Conditions of the Scheme and the Proposal” in Part VII of this Scheme Document, the proposed privatisation of Dorsett will be implemented by the Scheme and the Rule 13 Offer.

Cancellation Consideration

Under the Proposal, all the Scheme Shares will be cancelled in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Consideration to be satisfied by:

a cash consideration of HK\$0.72 and 0.28125 FEC Consideration Share for each Scheme Share.

Based on the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Cancellation Consideration is equivalent to HK\$1.80, being the aggregate of the cash sum of HK\$0.72 and 0.28125 of the aforesaid closing price of HK\$3.84 per FEC Share. As the value attributable to an FEC Consideration Share may change after the date of this letter, the value of the Cancellation Consideration may also change. A Scheme Shareholder’s entitlement is by reference to the number of Scheme Shares which are subject to the Scheme and if its entitlement to FEC Consideration Shares is not an integral number, then such entitlement will be rounded down to the nearest whole FEC Consideration Share and fractions will not be issued. By way of illustration, if a Scheme Shareholder held 1,000 Scheme Shares, it will be entitled to a cash payment of HK\$720 and 281 FEC Consideration Shares (as any fraction of FEC Consideration Shares will not be issued).

The Cancellation Consideration will not be increased, and the Offeror does not reserve the right to do so.

Financial Resources

The Offeror intends to finance the cash required for the Scheme and the Rule 13 Offer from internal financial resources. Investec, the financial adviser to the Offeror in connection with the Scheme, the Proposal and the Rule 13 Offer, is satisfied that sufficient financial resources are available to the Offeror for the payment in full of the cash consideration payable under the Scheme and the Rule 13 Offer in accordance with their respective terms.

Fractions of FEC Consideration Shares

FEC will not allot and issue any fractions of a FEC Consideration Share to any Scheme Shareholders who would otherwise be entitled to receive fractional FEC Consideration Shares as a result of the number of Scheme Shares held. There will also not be any rounding up of fractions of an FEC Consideration Share to a whole FEC Consideration Share because Scheme Shareholders could deliberately create odd holdings of Scheme Shares resulting in the issue of more FEC Consideration Shares than contemplated and thereby increasing the cost of the Scheme to FEC. It is not the intention of FEC that entitlements to the Cancellation Consideration be the subject of such potential abuse.

3. DORSETT OPTIONS AND THE RULE 13 OFFER

Dorsett adopted the Share Option Scheme on 10 September 2010 pursuant to which, among others, directors of Dorsett (including executive directors and independent non-executive directors) and its employees are eligible for the grant of Dorsett Options. The Dorsett Options were granted on 11 October 2010 and the exercise price of each Dorsett Option is HK\$2.20.

Pursuant to the Rule 13 Offer made by the Offeror, the Dorsett Option Offer Price is offered for each vested and unvested Dorsett Option held as at the Rule 13 Offer Record Date in consideration for the cancellation of all rights and obligations under the Dorsett Options and the immediate cancellation of the Dorsett Options.

The Dorsett Options Offer Price of HK\$0.01 represents the “see through” price of the outstanding Dorsett Option, being the higher of (i) the amount by which the value of the Cancellation Consideration, calculated by reference to the closing price of FEC Shares on the Last Trading Day, exceeds the exercise price of Dorsett Options of HK\$2.20; and (ii) HK\$0.01.

As the exercise price applicable to each Dorsett Option is HK\$2.20 and is higher than the value of the Cancellation Consideration of HK\$1.80 (based on aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), the Offeror offers the holders of Dorsett Options the Dorsett Options Offer Price, which is a nominal value of HK\$0.01 in accordance with the “see-through” principle of Rule 13 of the Takeovers Code, for each Dorsett Option that they hold.

The Rule 13 Offer is conditional upon the Scheme becoming effective and binding.

You are urged to read carefully the details in respect of the Dorsett Options and the Rule 13 Offer set out in the section headed “9. Dorsett Options and the Rule 13 Offer” in Part VII — Explanatory Statement of this Scheme Document and to Appendix XI — Form of Rule 13 Offer Letter to this Scheme Document.

4. REASONS FOR, AND BENEFITS OF, THE SCHEME AND THE PROPOSAL

You are urged to read carefully the section headed “11. Reasons for, and Benefits of, the Scheme and the Proposal” in Part VII — Explanatory Statement to this Scheme Document.

5. COURT MEETING AND EXTRAORDINARY GENERAL MEETING

For the purpose of exercising your votes at the Court Meeting and the Extraordinary General Meeting, your attention is drawn to the section headed “21. Court Meeting and Extraordinary General Meeting” in Part VII — Explanatory Statement of this Scheme Document.

6. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Scheme, the Proposal and the Rule 13 Offer are set out in Part II — Actions To Be Taken and the section headed “25. Summary of Actions to be Taken” in Part VII — Explanatory Statement of this Scheme Document.

7. RECOMMENDATIONS

In the letter from the Dorsett Independent Financial Adviser set out in Part VI of this Scheme Document, Altus states that it considers the terms of the Scheme and the Rule 13 Offer to be fair and reasonable so far as the Independent Dorsett Shareholders are concerned. Accordingly, it advises the Dorsett Independent Board Committee to recommend the Independent Dorsett Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the Extraordinary General Meeting.

The Dorsett Independent Board Committee (comprising Mr. SHEK Lai Him Abraham, G.B.S., J.P., Mr. TO Peter and Mr. ANGELINI Giovanni), having considered the terms of the Scheme and the Rule 13 Offer and having taken into account the advice of Altus, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that the terms of the Scheme and the Rule 13 Offer are fair and reasonable so far as the Independent Dorsett Shareholders and holders of Dorsett Options are concerned.

Your attention is drawn to the recommendation of the Dorsett Independent Board Committee as set out in Part V of this Scheme Document.

8. FURTHER INFORMATION

We urge you to read carefully the letters from the Dorsett Independent Board Committee and from the Dorsett Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document respectively, the Explanatory Statement as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the terms of the Scheme as set out in Appendix VIII to this Scheme Document, the Notice of Court Meeting as set out in Appendix IX to this Scheme Document and the Notice of Extraordinary General Meeting as set out in Appendix X to this Scheme Document. In addition, a pink form of proxy for the Court Meeting and a white form of proxy for the Extraordinary General Meeting are enclosed with copies of this Scheme Document sent to the Registered Owners of Dorsett Shares.

By Order of the Board
Dorsett Hospitality International Limited
WONG Kang Yean Clarence
Chief Financial Officer and Company Secretary



Dorsett Hospitality International Limited
帝盛酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2266)

31 August 2015

To: The Independent Dorsett Shareholders and holders of Dorsett Options

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
PROPOSED WITHDRAWAL OF THE LISTING OF THE SHARES OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED**

We refer to the scheme document dated 31 August 2015 jointly issued by FEC, the Offeror and Dorsett in relation to the Scheme and the Rule 13 Offer (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Dorsett Board as the Dorsett Independent Board Committee to advise the Independent Dorsett Shareholders and holders of Dorsett Options in respect of the Scheme and the Rule 13 Offer.

As at the Latest Practicable Date, an independent non-executive director of Dorsett, Dr. LIU Ngai Wing, is interested in 4,490 FEC Shares and FEC Bonds of a principal of RMB1,000,000. In order to avoid any perceived conflict of interests, Dr. LIU Ngai Wing does not form part of the Dorsett Independent Board Committee.

Altus has been appointed, with our approval, as the independent financial adviser of Dorsett to advise us in connection with the Scheme and the Rule 13 Offer.

PART V LETTER FROM THE DORSETT INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to (a) the Letter from the Dorsett Board set out on in Part IV of this Scheme Document; (b) the Letter from the Dorsett Independent Financial Adviser as set out in Part VI of this Scheme Document which sets out the factors and reasons taken into account by the Dorsett Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of this Scheme Document.

Having considered the terms of the Scheme and the Rule 13 Offer and having taken into account the advice of the Dorsett Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the Letter from the Dorsett Independent Financial Adviser as set out in Part VI of this Scheme Document, we consider the terms of the Scheme and the Rule 13 Offer to be fair and reasonable so far as the Independent Dorsett Shareholders and the holders of Dorsett Options are concerned.

Accordingly, we recommend:

- (a) the Independent Dorsett Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (b) Dorsett Shareholders to vote in favour of the special resolution to reduce the issued share capital of Dorsett by cancelling and extinguishing the Scheme Shares and the ordinary resolution to restore immediately the issued share capital of Dorsett to its former amount by the issue of the same number of Dorsett Shares as the number of Scheme Shares cancelled, credited as fully paid, to the Offeror at the Extraordinary General Meeting; and
- (c) the holders of Dorsett Options to accept the Rule 13 Offer.

Yours faithfully,
Independent Board Committee

Mr. SHEK Lai Him Abraham,
G.B.S., J.P.
Independent non-executive
director

Mr. TO Peter
Independent non-executive
director

Mr. ANGELINI Giovanni
Independent non-executive
director

The following is the text of a letter of advice from Altus Capital Limited, the Dorsett Independent Financial Adviser to the Dorsett Independent Board Committee, the Independent Dorsett Shareholders and holders of the Dorsett Options in respect of the Proposal, which has been prepared for the purpose of incorporation in the Scheme Document.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

31 August 2015

*To: The Dorsett Independent Board Committee,
Independent Dorsett Shareholders and
holders of the Dorsett Options*

Dorsett Hospitality International Limited
18th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
PROPOSED WITHDRAWAL OF THE LISTING OF THE SHARES OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED**

INTRODUCTION

We refer to our appointment as the Dorsett Independent Financial Adviser to advise the Dorsett Independent Board Committee and Independent Dorsett Shareholders of the Proposal. Details of the Proposal are set out in the scheme document of Dorsett dated 31 August 2015 (the “**Scheme Document**”) to the Dorsett Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

On 27 May 2015, the Offeror, FEC and Dorsett jointly announced that the Board of FEC requested the Dorsett Board to put forward the Proposal to the Independent Dorsett Shareholders. The Proposal, if successfully implemented and completed, will result in Dorsett becoming a wholly-owned subsidiary of FEC. Upon the Proposal becoming effective, the listing of Dorsett Shares on the Stock Exchange will be withdrawn. The Dorsett Bonds will remain listed on the Stock Exchange.

As at the Latest Practicable Date, the total number of Dorsett Shares in issue was 2,100,626,650, of which 1,553,879,650 Dorsett Shares (representing approximately 73.97% of the Dorsett Shares in issue) were held by FEC and 546,747,000 Dorsett Shares (representing approximately 26.03% of all Dorsett Shares in issue) were held by the Scheme Shareholders. The 1,553,879,650 Dorsett Shares held by FEC will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting. As at the Latest Practicable Date, the Offeror Concert Parties held in aggregate 1,564,017,741 Dorsett Shares, representing approximately 74.45% of the issued share capital of Dorsett. Dorsett Shares held by the remaining Offeror Concert Parties will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Such Offeror Concert Parties will however abstain from voting on the Scheme at the Court Meeting.

Pursuant to the Takeovers Code, as a scheme of arrangement, the Proposal is an offer which is subject to the announcement, reporting and independent shareholders' approval requirements as set out in the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

The Dorsett Independent Board Committee has been established to consider the terms of the Proposal and give advice and recommendation to the Independent Dorsett Shareholders in relation to the Proposal. The Dorsett Independent Board Committee comprises Mr. SHEK, Lai Him Abraham, *G.B.S., J.P.*, Mr. TO, Peter and Mr. ANGELINI Giovanni, all being independent non-executive directors of Dorsett.

As the Dorsett Independent Financial Adviser to the Dorsett Independent Board Committee, our role is to give an independent opinion to the Dorsett Independent Board Committee as to (i) whether the terms of the Proposal and the Rule 13 Offer are fair and reasonable as far as the Independent Dorsett Shareholders and holders of Dorsett Options are concerned; and (ii) to give our opinion to the Dorsett Independent Board Committee in relation to the Proposal and the Rule 13 Offer for their consideration in making recommendation to the Independent Dorsett Shareholders and holders of Dorsett Options.

We have been appointed as the Dorsett Independent Financial Adviser by Dorsett with the approval of the Dorsett Independent Board Committee to advise the Dorsett Independent Board Committee, the Independent Dorsett Shareholders and holders of the Dorsett Options. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from Dorsett.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, and representations contained or referred to in the Scheme Document and/or provided to us by Dorsett, the directors of Dorsett and the management of Dorsett (the "**Management**"). We have assumed that all statements, information, opinions, and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at

the date of the Scheme Document. Dorsett will notify the Dorsett Shareholders and holders of the Dorsett Options of any material changes to the information contained or referred to in the Scheme Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Dorsett Shareholders and holders of the Dorsett Options will also be informed when there are any material changes to the information contained or referred to herein as well as changes to our opinion as soon as possible.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts that the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions, and representations for matters relating to Dorsett contained or referred to in the Scheme Document and/or provided to us by Dorsett, the directors of Dorsett and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of Dorsett.

BACKGROUND AND SUMMARY OF THE SCHEME AND RULE 13 OFFER

The following is a summary of the terms of the Scheme. For details of the terms of the Scheme and the Proposal, your attention is drawn to the section headed “Explanatory Statement” in Part VII of the Scheme Document.

I. Scheme

Pursuant to the Scheme, the Proposal involves the cancellation of all the Scheme Shares in exchange for the Cancellation Consideration. Subsequently there will be an issue of new Dorsett Shares to the Offeror equal in number to those Scheme Shares cancelled. Dorsett will become a wholly-owned subsidiary of FEC upon the Proposal becoming effective. In consideration for the cancelled Scheme Shares, each Scheme Shareholder will be entitled to receive the Cancellation Consideration. Under the Proposal, the Cancellation Consideration is to be satisfied by (i) a cash consideration of HK\$0.72; and (ii) 0.28125 FEC Consideration Share in exchange for each Scheme Share. Based on the Cancellation Consideration which was equivalent to HK\$1.80 on the Last Trading Day with reference to the closing price of FEC’s shares, 40% of the Cancellation Consideration will be in the form of cash and the remaining 60% will be in the form of FEC Consideration Shares. Further analysis is set out in the paragraph headed “4. The Proposal — Cancellation Consideration” under the section headed “Principal factors and reasons considered” in this letter.

II. Dorsett Options and the Rule 13 Offer

As at the Latest Practicable Date, there were 14,414,545 outstanding Dorsett Options (including 3,603,658 Dorsett Options that have not been vested on the Latest Practicable Date). The exercise of such Dorsett Options in full would result in the issue of 14,414,545 new Dorsett Shares, representing approximately 0.69% of the issued share capital of Dorsett as at the Latest Practicable Date and approximately 0.68% of the issued share capital of Dorsett as enlarged by the issue of such new Dorsett Shares. The Offeror is making the Rule 13 Offer to holders of Dorsett Options to cancel all vested and unvested Dorsett Options in accordance with Rule 13 of the Takeovers Code. The Rule 13 Offer will be conditional on the Scheme becoming effective.

III. Dorsett Bonds

We noted that it is intended by both FEC and Dorsett to retain the listing of the Dorsett Bonds and that Dorsett shall continue to comply with all provisions under Chapter 37 of the Listing Rules governing the issue of debt securities. In particular, we noted that the terms and conditions of the Dorsett Bonds do not prohibit the implementation of the Scheme or require the Scheme to be approved by the holders of the Dorsett Bonds and that the Scheme does not trigger an obligation on Dorsett to repurchase Dorsett Bonds.

Since the listing of the Dorsett Bonds on the Stock Exchange will be maintained and Dorsett will continue to be subject to its obligations under the Dorsett Bonds, holders of the Dorsett Bonds will not be affected regardless of the outcome of the Proposal.

IV. Rationale of the Proposal

The Dorsett Shares have been listed on the Main Board of the Stock Exchange since 11 October 2010 following its initial public offering which raised net proceeds of approximately HK\$604 million for Dorsett's expansion of its hotel portfolio and expansion into hotel management business, including its rebranding initiative. According to the Management, such proceeds have been entirely deployed.

Since the aforesaid equity fund raising, Dorsett has not utilised the platform as a listed company on the Stock Exchange for equity fund raising purposes. It has meanwhile raised approximately CNY850.0 million through debt issuance of the Dorsett Bonds in April 2013. The Dorsett Bonds bear an interest rate of 6 per cent. per annum.

Based on our discussion with the Management, the lack of equity issuance was mainly due to the high cost of equity issuance and unjustified dilution of existing shareholders' shareholding as the market price of Dorsett Shares has not been satisfactory. Key considerations include the fact that the prices of Dorsett Shares have persistently been trading at substantial discounts to its net asset value as well as its relatively low level of trading liquidity (both of which are analysed in greater detail in the paragraph headed "4.1 Historical market price performance" of this letter). In this regard, taking into consideration that its market trading price has not been able to reflect the value and

fundamentals of Dorsett, and the resultant constraints on Dorsett's corporate and equity fund raising activities, the directors of FEC are of the view that Dorsett has in this respect lost one of the major purposes of its listing status. As such and taking into account the high costs of maintaining Dorsett's listing status on the Stock Exchange, the directors of FEC consider it to be preferable to privatise Dorsett Group and subsequently apply for the delisting of the Dorsett Shares. As stated in the "Letter from the Dorsett Board" in the Scheme Document, if the Proposal is to proceed, Dorsett will be applying to the Stock Exchange for the withdrawal of the listing of Dorsett Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, immediately following the Effective Date.

The directors of FEC believe that the Dorsett Share price has not reflected the value and fundamentals of Dorsett and they are of the view that the successful implementation of the Proposal would provide the Independent Dorsett Shareholders an opportunity to exit their shareholding at a consideration that represents a considerable premium to the traded market price of Dorsett (please refer to the paragraph headed "4. The Proposal – Cancellation Consideration" of this letter for further analysis). Further, through the share exchange mechanism under the Proposal, the Independent Dorsett Shareholders shall retain an equity exposure to and participate in the ownership of FEC, which has a broader business portfolio including, upon successful implementation of the Proposal, the wholly-owned interest in Dorsett.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal, we have considered the following principal factors and reasons:

1. Business and financial information of Dorsett Group

1.1 *Background of Dorsett Group*

Dorsett is a limited company incorporated as an exempted company with limited liability in the Cayman Islands. The Dorsett Shares have been listed on the Main Board of the Stock Exchange since 11 October 2010.

The principal business activities of Dorsett Group comprise hotel development, ownership and management. Dorsett Group's hotel portfolio comprises 20 self-owned hotel operations in Hong Kong (9), Malaysia (5), the PRC (4), Singapore (1) and the United Kingdom (1) as at the Latest Practicable Date, two of which were newly opened during the year ended 31 March 2015. Excluding Dorsett Grand Zhuji, in which the 25% interest held by Dorsett Group is currently in the process of being disposed of, it also has four hotels under development as at the Latest Practicable Date.

Dorsett's revenue is predominantly derived from hotel guest rooms, food and beverage outlets, the provision of meeting/conference facilities and rental income from the leasing of various types of commercial space to hotel customers and tenants.

1.2 Initial spin-off of Dorsett Group

As set out in FEC Group’s circular dated 2 September 2010, FEC Group sought to spin off its hotel investment, operation, management and development arm (at that time grouped under Kosmopolito Hotels International Limited (“**Kosmopolito Group**”)) in order to provide Kosmopolito Group with flexibility and a separate fund raising platform for raising funds from the capital markets to support its growth organically as well as through acquisitions, among other reasons.

The directors of FEC at the time were of the view that as a company with a single clear focus on the hotel industry, Dorsett Group would be able to obtain better terms for financing than the previous FEC Group, which was less simple to value given the diversity of FEC Group’s operation.

1.3 Historical financial performance

Set out below is a summary of the audited consolidated financial information of Dorsett Group for each of the years ended 31 March 2013, 2014 and 2015, which has been extracted from the respective annual reports of Dorsett.

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,152,942	1,785,850	1,454,027
Gross profit	650,391	799,696	691,133
Profit for the year	647,456	376,568	94,352
Recurring revenue (<i>Note 1</i>)	1,152,942	1,270,434	1,432,204
Recurring EBITDA (<i>Note 1</i>)	498,892	502,576	540,672
Recurring EBITDA margin (<i>Note 1</i>)	43.3%	39.6%	37.8%
		As at 31 March	
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Net assets attributable to shareholders after adjustment for hotel revaluation surplus (<i>Note 2</i>)	13,245,168	15,096,696	14,804,692

	Year ended 31 March		
	2013	2014	2015
Net gearing ratio (<i>Note 3</i>)	22.3%	24.8%	26.4%
Earnings per share	HK\$0.324	HK\$0.185	HK\$0.045
Total dividend per Dorsett Share for the year (<i>Note 4</i>)	HK\$0.12	HK\$0.07	HK\$0.04

Notes:

- Dorsett's "recurring" operations refer to its operations excluding the sale of apartments in Singapore in 2014 and dividend and interest income generated from securities and financial product investment in 2014 and 2015.
- Adjustment refers to the addition of the revaluation surplus for its hotel properties, which was not recognised in the consolidated financial statements as Dorsett Group has elected the cost model instead of revaluation model as its accounting policy.
- Net gearing ratio is calculated by dividing net debt against the carrying amount of total equity and revaluation surplus on hotel assets.
- Dividend per share includes interim dividends declared during the year.

1.3.1 Business and financial results

For the year ended 31 March 2014

The total revenue for the year ended 31 March 2014 compared to the previous year increased by approximately HK\$632.9 million equivalent to approximately 54.9%, driven by the continuous growth of its recurring revenue, and the sale of apartments in Singapore which in itself resulted in an earnings before interest, taxes, depreciation and amortisation ("EBITDA") contribution of approximately HK\$131.5 million.

Despite the significant increase in revenue, profit for the year meanwhile decreased approximately 41.8% from approximately HK\$647.5 million for the year ended 31 March 2013 to approximately HK\$376.6 million for the years ended 31 March 2014 as a result of the inclusion of a gain of HK\$458.4 million recognised during the year ended 31 March 2013 from the disposal of a subsidiary. As a result of the abovementioned decrease in profit for the year, earnings per Dorsett Share decreased from HK\$0.324 to HK\$0.185.

Operationally, Dorsett faced certain challenges during the year ended 31 March 2014. Whilst recurring revenue increased by approximately 10.2% compared to the previous year, driven in part by the better performance of its hotels located in Malaysia and the PRC and the opening of a new hotel in Hong Kong, Dorsett's revenue per available room ("**RevPAR**"), a measure commonly used to measure the performance of hotels, dropped by approximately 7.4% to HK\$603. Dorsett's Hong Kong operations, the major component of its revenue, were particularly affected as a result of industry-wide factors such as the increase in room availability from other suppliers and a slow-down in tourist growth, as well as company-specific factors such as the renovation of the two flagship Hong Kong hotels.

Nevertheless, Dorsett continued to pursue its expansion strategy, entering into transactions to acquire a hotel property in Jiangxi and to expand its hotel located in London.

For the year ended 31 March 2015

For the year ended 31 March 2015, recurring revenue recorded an increase of approximately 12.7% brought about by increased room inventory following the opening of the aforementioned Hong Kong hotel in the previous year and an additional three hotels during the year. Total revenue declined 18.6% on the previous year due to the sale of apartments in Singapore in the previous year which boosted revenue.

EBITDA from Dorsett Group's recurring operations continued to increase for the year ended 31 March 2015, rising approximately HK\$38.1 million (representing approximately 7.6%) from the previous year, albeit with a decreased EBITDA margin, decreasing from approximately 43.3% for the year ended 31 March 2013 to 39.6% and 37.8% for the years ended 31 March 2014 and 2015 respectively. RevPAR declined approximately 7.0% to HK\$561 driven by a lower RevPAR generated by its Hong Kong hotels and its overseas operations being affected by the strengthening HK\$.

As a result of those items mentioned above and further specific factors such as (i) the provision for impairment loss on interest in an associate during the year and (ii) the higher profits recorded in the previous year brought about by the sale of apartments in Singapore and comparatively higher revaluation gain on investment properties, profit for the year ended 31 March 2015 recorded a substantial decrease of 74.9% from approximately HK\$376.6 million in the previous year to approximately HK\$94.4 million.

1.3.2 Net assets attributable to shareholders after adjustment for hotel revaluation surplus

As at 31 March 2013, 2014 and 2015, Dorsett Group recorded net assets attributable to shareholders after adjustment for hotel revaluation surplus of approximately HK\$13,245.2 million, HK\$15,096.7 million and HK\$14,804.7 million respectively. Such marginal decrease as at 31 March 2015 compared with that at 31 March 2014 was primarily due to the strengthening of the HK\$.

1.3.3 Gearing

As at the respective financial year-ends for the last three years, the gearing ratio of Dorsett Group has hovered around the mid-twenties, reaching 26.4% as at 31 March 2015. Dorsett Group's borrowings are predominantly secured bank borrowings.

1.3.4 Dividend

Dividend per share for Dorsett Group experienced a downward trend in the past three financial years, amounting to HK\$0.12, HK\$0.07 and HK\$0.04 respectively for each of the years ended 31 March 2013, 2014 and 2015. According to the annual reports of Dorsett for the years ended 31 March 2013, 2014 and 2015, the dividend payout ratio over the same period amounted to approximately 36.8%, 38.8% and 89.0% respectively; therefore it is clear the declining dividend was a result of declining financial results rather than a decision by the Management to retain higher proportions of Dorsett Group's earnings.

1.4 Outlook

Excluding Dorsett Grand Zhuji, there are currently seven hotels at various stages of planning and development. Of these, three will be under management contracts and four will be self-owned properties. Completion of these projects will continue to increase Dorsett Group's total room inventories.

According to Dorsett's annual report for the year ended 31 March 2015 and based on our discussion with the Management, it is our understanding that given its business nature, Dorsett's hotel operations and management business performance are influenced by the global economic conditions. In this regard, the Management is of the view that the global economic outlook in the near term remains challenging with increasing downside risks.

It appears that Dorsett Group's business operations in its core markets, namely Hong Kong and Malaysia, are currently experiencing a period of uncertainty and challenging operating environment. In Hong Kong, the demonstrations protesting against parallel traders and the strengthening of the HK\$ exchange rate have negatively impacted the travelling and tourism industry. In Malaysia, the decline in arrivals following the twin tragedies suffered by Malaysia Airlines and the declining domestic demand due to the ongoing austerity measures by the government impacted the industry in which Dorsett Group operates. The financial results of Dorsett Group's Malaysian operations were further affected by the weakening of the Ringgit Malaysia. It is not expected that the visitor arrivals in both markets will recover significantly in the short term and the trajectory of Dorsett's operations in the short term will continue to remain challenging. Hong Kong and Malaysia collectively contributed approximately 80.8% and 73.8% to the Group's recurring revenue for the financial year ended 31 March 2014 and 2015 respectively. Meanwhile, Dorsett Group's Singapore and UK operations performed solidly with RevPAR in Singapore growing approximately 7.2% despite currency depreciation and the opening of Dorsett Group's new hotel located in London performing well within the Management's expectation.

We note that in the long-term, tourist numbers to Hong Kong are expected to overcome the recent temporary obstacles mentioned above and recover their longer term fundamental growth trend, and it is expected by the Management that Dorsett Group's operations and financial position may regain their buoyancy in the future. Moreover, according to the Dorsett Group's annual report for the year ended 31 March 2015, the PRC has been singled out as the largest growing market for travel industry, both domestic and outbound, by the World Travel and Tourism Council, the forum for business leaders in the travel and tourism industry with chief executives of approximately one hundred of the world's leading travel and tourism companies as its members. In the long term, such market trends are beneficial for Dorsett Group, which has been pursuing a "Chinese Wallet" strategy as early as 2011. However, whilst it is possible that the long-term may see improved economic conditions and improved hotel industry performance, there is no certainty in respect of the timing of such occurrence, the potential impact such development will have on the Dorsett Group's operational and general performance or, in the case where Dorsett Group benefits from the improved market conditions, whether its share price will reflect the better performance.

2. Business and financial information of FEC Group

As previously mentioned, a substantial part of the Proposal involves Independent Dorsett Shareholders exchanging their existing Dorsett Shares into FEC Shares; therefore we also set out below the analysis on FEC Group so as to make a comparison of the pros and cons of Independent Dorsett Shareholders remaining as Dorsett Shareholders compared with accepting the Proposal, which comprise realising a portion of their investments in Dorsett Shares in the form of a cash payment while exchanging a portion of their investments in Dorsett Shares into FEC Shares.

2.1 *Background of FEC Group*

FEC is the ultimate holding company of Dorsett. Its predecessor was a Hong Kong company incorporated on 18 August 1972 under the name Far East Consortium Limited and was listed on the Stock Exchange in September 1972. FEC subsequently re-domiciled from Hong Kong to Cayman Islands on 3 April 1990.

The principal activities of FEC Group comprise property development and investment, hotel operation and management (through its 73.97% shareholding in Dorsett), car park operations and facilities management, and treasury management, with operations in Hong Kong, the PRC, Australia, Malaysia, Singapore, the United Kingdom and New Zealand.

FEC's revenue is predominantly derived from the sale of properties, leasing of properties, hotel operations and management, car park operations, the provision of property management services and interest income and dividend income from financial instruments.

2.2 Financial information of FEC Group

Set out below the summary of the audited consolidated financial information of FEC Group for each of the years ended 31 March 2013, 2014 and 2015 which has been extracted from the respective annual reports of FEC.

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	3,732,172	4,066,494	5,109,780
Gross profit	1,026,650	1,552,972	1,946,418
Profit for the year	1,078,370	1,026,035	997,948
– attributable to the shareholders of FEC	903,046	914,057	956,539

	As at 31 March 2014		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Equity attributable to shareholders of the company after adjustment for hotel revaluation surplus (Note 1)	14,942,000	16,864,000	17,263,000

	Year ended 31 March		
	2013	2014	2015
	Net gearing ratio (Note 2)	24.1%	31.7%
Earnings per share	HK\$0.50	HK\$0.51	HK\$0.51
Total dividend per share for the year (Note 3)	HK\$0.13	HK\$0.15	HK\$0.16

Notes:

- 1 Revaluation surplus for its hotel properties was not recognised in the consolidated financial statements as FEC Group has elected the cost model instead of revaluation model as its accounting policy.
- 2 Net gearing ratio is calculated by dividing net debt against the carrying amount of total equity and revaluation surplus on hotel assets.
- 3 Dividend per share includes interim dividends declared during the year.

The breakdown of FEC Group's revenue during the same period is laid out below:

<i>Revenue from:</i>	Year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development			
– Australia	1,838,519	958,509	1,243,825
– Hong Kong	95,174	14,573	1,073,583
– Malaysia	478	86	–
– PRC (excluding Hong Kong)	11,377	615,660	644,707
	<u>1,945,548</u>	<u>1,588,828</u>	<u>2,962,115</u>
Property Investment			
– Hong Kong	32,769	33,548	36,747
– PRC (excluding Hong Kong)	12,848	13,662	14,014
– Singapore	16,166	12,031	5,355
	<u>61,783</u>	<u>59,241</u>	<u>56,116</u>
Operations of Dorsett Group including hotel operations and management, property development and investments and securities and financial product investments	1,152,942	1,785,850	1,454,027
Car park operations			
– Australia	549,812	595,752	600,349
– Malaysia	17,548	16,776	15,774
	<u>567,360</u>	<u>612,528</u>	<u>616,123</u>
Securities and financial product investments and others	4,539	20,047	21,399
	<u>3,732,172</u>	<u>4,066,494</u>	<u>5,109,780</u>

2.2.1 Business and financial results

For the year ended 31 March 2014

Revenue recorded during the year ended 31 March 2014 amounted to approximately HK\$4,066.5 million, representing an increase of around 8.9% from the previous year. As shown in the above revenue breakdown, this increase was predominantly due to the increase in revenue generated by Dorsett Group's operations which was partially offset by the decreased revenue generated from FEC Group's property development segment. During the year ended 31 March 2014, FEC Group continued to grow its car park segment, providing a reliable and consistent source of income.

Revenue generated from property development can vary year to year depending on whether individual projects have entered their revenue generating stage. Despite government cooling measures in certain countries in which FEC Group operates, during the year ended 31 March 2014, FEC Group generated profit for the year attributable to the shareholders of FEC of approximately HK\$914.1 million, in line with approximately HK\$903.0 million recorded in the previous year. Earnings per share likewise recorded a marginal increase of approximately 2.0% to HK\$0.51.

FEC Group's total assets and net asset value respectively increased by approximately 14.1% and 12.3%, in line with the development of its operations.

For the year ended 31 March 2015

During the year ended 31 March 2015, revenue generated from the property development segment of FEC Group's business (which consists of a diversified residential property portfolio) increased significantly from approximately HK\$1,588.8 million to approximately HK\$2,962.1 million, equivalent to an increase of approximately 86.4%. FEC Group's Hong Kong operations were the principal driver of this improvement in financial results, however operations in Australia and the PRC all witnessed increased revenue.

Profit attributable to the shareholders of FEC increased during the year by approximately 4.6% to approximately HK\$956.5 million and, when adjusted for the one-time gain of approximately HK\$259.0 million from a compulsory acquisition of a property in Singapore recognised during the previous financial year, the net profit for the year increased by approximately 46.1%. The increase in profits attributable to the shareholders of FEC was reflected in the increased total dividends per

share for the year which has increased from HK\$0.13 to HK\$0.15 to HK\$0.16 for the three years ended 31 March 2013, 2014 and 2015.

2.2.2 *Equity attributable to shareholders of FEC after adjustment for hotel revaluation surplus*

As at 31 March 2013, 2014 and 2015, FEC Group recorded equity attributable to shareholders of the company after adjustment for hotel revaluation surplus of approximately HK\$14,942.0 million, HK\$16,864.0 million and HK\$17,263.0 million. This increasing trend is consistent with the continuous development of FEC Group's business.

It should be noted that the equity attributable to shareholders of FEC after adjustment for hotel revaluation surplus does not take into account the profits in relation to the cumulative presale value of residential properties under development which amounted to approximately HK\$6.5 billion as at 31 March 2015, of which contracted presales value was approximately HK\$4.8 billion and registered presales value was about HK\$1.7 billion.

2.2.3 *Gearing*

As at 31 March 2013, 2014 and 2015, FEC recorded gearing ratios of 24.1%, 31.7% and 29.8% respectively (including the revaluation surplus on its hotels). As disclosed in FEC's annual report for the year ended 31 March 2015, the management of FEC Group are satisfied that *"the banking facilities together with the sales proceeds from the Group's upcoming property development projects places FEC in a good financial position to fund not only its existing business and operations but also further expansion of its business"*. Therefore, based on such information, although FEC Group (inclusive of Dorsett Group) appears to be slightly more geared than Dorsett Group, its gearing ratio is at a healthy level.

Furthermore, as abovementioned, we noted from the same annual report of FEC that FEC Group has contracted presales value of residential properties under development amounting to approximately HK\$4.8 billion as at 31 March 2015 which were not reflected in FEC Group's financial statements due to its accounting policy. Had these contracted presales been recognised, this would have further improved FEC Group's gearing ratio.

2.2.4 *Dividend*

Unlike the trend of declining dividend per Dorsett Share for each of the years ended 31 March 2013, 2014 and 2015, during the corresponding period, the dividend per FEC Share experienced a steady growth, recording dividend per share at HK\$0.13, HK\$0.15 and HK\$0.16 respectively for each of the year ended 31 March 2013, 2014 and 2015.

Please refer to the paragraph headed “8.2 Relative amount of dividend receivable by Independent Dorsett Shareholders” in this letter for further analysis.

2.3 *Outlook*

Of FEC Group’s property development projects, as at 31 March 2015, seven projects located across Australia, PRC, Hong Kong and Malaysia had entered the pre-sales stage of development. As at 31 March 2015, cumulative contracted pre-sales value of those projects, which is not recognised in FEC Group’s financial results in compliance with the relevant accounting standards, amounted to approximately HK\$4.8 billion. All seven projects are expected to be completed within the next three years. As at 31 March 2015, FEC Group had 20 active residential property development projects, and in addition to that, a land bank of approximately 5 million square feet.

FEC Group’s retail and office buildings located across Shanghai, Hong Kong, Singapore and Malaysia held for investment purposes are continuing to perform well, with a valuation gain of approximately HK\$272 million for the year ended 31 March 2015. Meanwhile, FEC Group’s car park operations and management services are growing steadily.

Going forward, FEC’s management expect that leveraging on its project portfolio, FEC Group is well-positioned to continue to create long-term value for its shareholders through regular dividend distributions and enhancement in net asset value of the FEC Group. As discussed above, FEC Group has a strong development pipeline for the coming years, and the management of FEC is of the view that market conditions in its operating locations, such as Australia, will remain buoyant going forward.

FEC Group’s car park operations and facilities management business are also expected to grow steadily and continue to generate steady recurring income. In FEC’s annual report for the year ended 31 March 2015, the FEC management announced their intention to actively explore opportunities to develop and expand this operating segment.

As disclosed in FEC’s announcement dated 21 July 2015, in June 2014, a consortium was jointly formed between a member of the FEC Group and two other parties for the purpose of submitting a bid for the development of an entertainment precinct and integrated resort as well as residential development at Queen’s Wharf, Brisbane, Queensland, Australia (the “**Queen’s Wharf Project**”). On 20 July 2015, the Queensland State selected the consortium as the preferred proponent to undertake the Queen’s Wharf Project.

The Queen's Wharf Project comprises an integrated resort component and a residential component encompassing a total area of approximately 9.4 hectares. The integrated resort component, of which FEC Group shall own 25%, consists of world class hotels, high end food and commercial outlets and a casino in Brisbane's prime waterfront district. The residential component, which shall be owned as to 50% by FEC, consists of three residential towers comprising approximately 2,000 residential units. This is a large-scale project and will also mark the initial entry of FEC Group into the gaming industry, further diversifying its portfolio.

As can be seen in the above analysis of Dorsett Group and FEC Group's operations, Dorsett Group's operations are currently in an uncertain period and do not have the stability or diversity of FEC Group's operations. Further analysis and comparison of the operations of Dorsett Group and FEC Group can be found under the paragraph headed "8.1 FEC Group's diversified operations" of this letter.

3. FEC and the Offeror's intention for Dorsett

We note that FEC and the Offeror intend to continue the existing business of Dorsett upon successful completion of the Proposal and that FEC and the Offeror have no intention to (i) make any material changes to the existing operations, personnel and management structure of the Dorsett Group, or (ii) redeploy any of the fixed assets of Dorsett Group after completion of the Proposal. Accordingly, following completion of the Proposal, Scheme Shareholders will maintain their exposure to the hotel industry whilst also diversifying the risk profile of their investment into property development and car park operations amongst others. Notwithstanding this, FEC and the Offeror will continue to assess business opportunities as they arise.

We also note that should the Scheme, and therefore the Proposal, not become unconditional, Dorsett has no intention to seek the immediate withdrawal of the listing of the Dorsett Shares on the Stock Exchange.

4. The Proposal – Cancellation Consideration

The Cancellation Consideration for each Scheme Share consists of (i) a cash consideration of HK\$0.72; and (ii) 0.28125 FEC Consideration Share. Based on the closing price per FEC Share on the Last Trading Day of HK\$3.84, the Cancellation Consideration was equivalent to HK\$1.80 on the Last Trading Day.

Based on the value of the Cancellation Consideration of HK\$1.80 per Dorsett Share with reference to the closing price of FEC Shares on the Last Trading Day, the Cancellation Consideration represents:

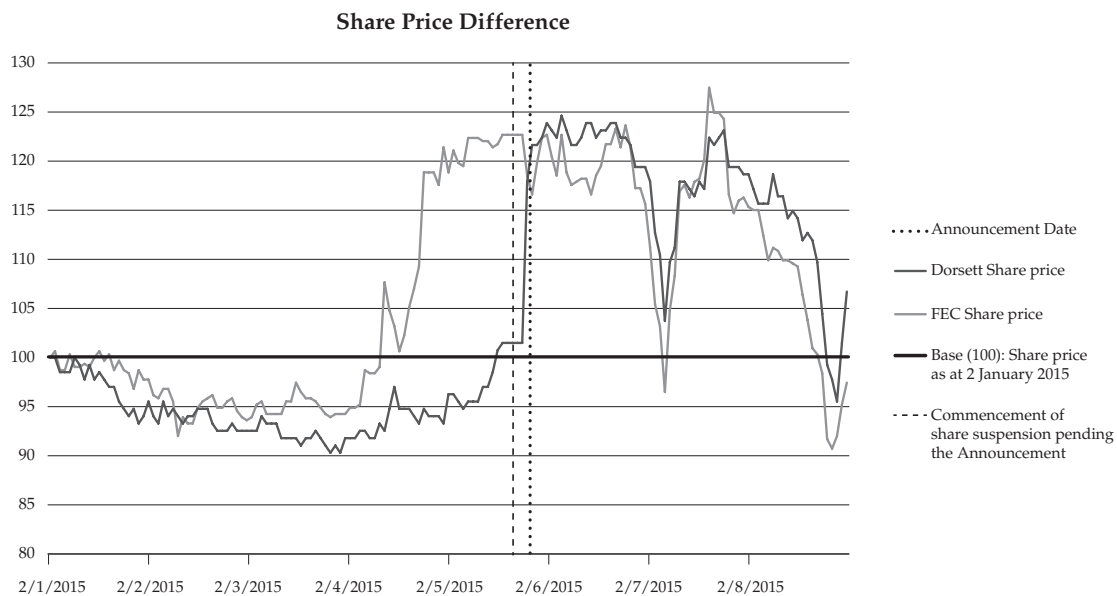
- (i) a premium of approximately 32.4% over the closing price per Dorsett Share of HK\$1.36 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 35.3% over the average closing price of approximately HK\$1.33 per Dorsett Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 38.5% over the average closing price of approximately HK\$1.30 per Dorsett Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 41.7% over the average closing price per Dorsett Share of approximately HK\$1.27 based on its daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day.

Based on the closing price of the FEC Shares of HK\$3.05 at the Latest Practicable Date, the Cancellation Consideration was equivalent to HK\$1.58 as at the Latest Practicable Date, which represents a premium of approximately 10.5% over the closing price of the Dorsett Share of HK\$1.43 as quoted on the Stock Exchange at the Latest Practicable Date.

In considering the fairness and reasonableness of the Cancellation Consideration, we have taken into account the following factors:

4.1 Historical market price performance

To consider the reasonableness, from the point of view of recent market price trend, of the Cancellation Consideration (including the reference price of HK\$3.84 per FEC Share for the Scheme Shares exchange under the Proposal), we have conducted an analysis on the market prices of Dorsett Shares and FEC Shares. The chart below shows the closing trading price movements of Dorsett Shares and FEC Shares from 2 January 2015 up to the Latest Practicable Date (the “Review Period”), with a base of 100 as at 2 January 2015:



Source: www.hkex.com.hk

Absolute price trends

Since the beginning of 2015, the price per Dorsett Share traded at a low of around HK\$1.20 in late March before progressively trending up to HK\$1.36 prior to the suspension pending the issue of the Announcement. Dorsett Share price increased to HK\$1.67 after the Announcement Date and then recorded a decline in line with the market fall during late June/early July 2015. Subsequently, Dorsett Share price increased up to HK\$1.64 in late July. Since then and up to the Latest Practicable Date, it had been on a downward trend.

During the Review Period, the price per FEC Share similarly traded at low levels during the initial stage when they were trading at around the HK\$2.95 level. FEC Shares then trended up by approximately 25% to 30% to trade at HK\$3.84 per FEC Share immediately prior to the suspension pending the issue of the Announcement. The price of the FEC Shares had recorded a decline in

line with the market fall during late June/ early July 2015. This was followed by a rising trend, reaching HK\$3.99 on 21 July 2015. From then to the Latest Practicable Date, the FEC Share price experienced a downward trend.

Relative price trends

From the beginning of 2015 up to mid April 2015, both Dorsett Shares and FEC Shares had traded lower than the base (i.e. share price as at 2 January 2015). Prices of FEC Shares increased substantially from mid April 2015 to early May 2015 and hovered at such higher level (which was about 20% to 25% higher than the price at the beginning of the Review Period) up to before the Announcement Date. Meanwhile, Dorsett Shares continued to remain at relatively low levels from mid April 2015 up to before the Announcement Date. Prices of Dorsett Shares increased sharply (being about 20% to 25% higher than the price at the beginning of the Review Period) after the Announcement Date.

Based on the above, from the perspective of recent market price trend, the reference price for the FEC Shares under the Cancellation Consideration appears fair as the price of FEC Shares (which forms part of the Cancellation Consideration) had attained a relatively stable level prior to the Announcement, fairly reflecting its recent market price level. We also noted that since the date of Announcement, the share price trend of the FEC Shares has in general been in line with that of Dorsett Shares and as a result the exchange ratio has remained fair.

PE Ratio

Based on the Cancellation Consideration of HK\$1.80, the price-earnings ratio (the “**PE Ratio**”) of the Dorsett Shares is approximately 40.0 times, significantly higher than the FEC PE Ratio with reference to the Last Trading Day of approximately 7.5 times. The Proposal thus represents an opportunity to swap the Dorsett Shares, which have a high PE Ratio but currently experiencing a period of uncertainty and challenging operating environment (as further elaborated in the paragraph headed “1.4 Outlook” of this letter), into FEC Shares, whose PE Ratio has been consistently lower, but have a clearer outlook with more certainty in terms of project pipelines (as further elaborated in the paragraph headed “2.3 Outlook” of this letter). Since Dorsett Group’s property developments are generally held for their own use and there is a regular flow of new hotels opening, and since the varying income from FEC Group’s property developments are balanced to some extent by its interests in Dorsett, its property investments and its car park management and facilities management businesses, we are of the view that in these circumstances the PE Ratio can be of use when comparing the financial performance of the two groups. However, it should be noted that such analysis should be used in the knowledge that the PE Ratio may not always provide a comprehensive picture of companies with interests in the property development industry, in which revenue recognised may vary

significantly from year to year depending on the stage of such company's property sales.

4.2 *Historical liquidity of the Dorsett Shares and the FEC Shares*

As Independent Dorsett Shareholders will own FEC Shares instead of Dorsett Shares if they approve the Scheme, we have also considered the liquidity of Dorsett Shares and FEC Shares. We note that in this case the Dorsett Shareholders will be swapping shares in one Hong Kong listed company for shares in another Hong Kong listed company, and have thus analysed their recent trading trends on the Stock Exchange. The table below summarises the monthly trading volume and trading value (for illustration purpose, calculated based on the respective closing prices during that day) of Dorsett Shares and FEC Shares from 28 January 2015 to 28 August 2015:

Dorsett Shares

	Total number of shares traded (Note 1)	Number of issued shares as at the last day of the relevant period	Percentage of total number of issued shares	Total value of shares traded (HK\$)
Prior to the Announcement Date				
From 28 January 2015 to 27 February 2015	11,457,620	2,099,628,550	0.55%	14,424,165
From 28 February 2015 to 27 March 2015	6,808,231	2,099,628,550	0.32%	8,396,523
From 28 March 2015 to 27 April 2015	35,650,607	2,100,626,650	1.70%	44,871,282
From 28 April 2015 to 27 May 2015 (Note 2)	<u>44,100,628</u>	2,100,626,650	2.10%	<u>56,830,667</u>
Subtotal	<u>98,017,086</u>			<u>124,522,637</u>
After the Announcement Date				
28 and 29 May 2015	82,909,800	2,100,626,650	3.95%	132,117,922
From 30 May 2015 to 29 June 2015	85,789,623	2,100,626,650	4.08%	141,175,962
From 30 June 2015 to 29 July 2015	41,287,316	2,100,626,650	1.97%	63,841,915
From 30 July 2015 to 28 August 2015	<u>21,921,118</u>	2,100,626,650	1.04%	<u>32,699,373</u>
Total	<u><u>329,924,943</u></u>			<u><u>494,357,809</u></u>

FEC Shares

	Total number of shares traded	No. of issued shares as at the last day of the relevant period	Percentage of total number of issued shares	Number of shares traded by Offeror Concert Parties on the open market	Number of shares traded by independent shareholders	Percentage of shares traded by independent shareholders out of total number of shares traded	Percentage of shares traded by independent shareholders out of total number of issued shares	Total value of shares traded (HK\$)
Prior to the Announcement Date								
From 28 January 2015 to 27 February 2015	21,727,731	1,900,607,607	1.14%	7,557,000	14,170,731	65.2%	0.75%	64,903,038
From 28 February 2015 to 27 March 2015	15,011,623	1,913,532,717	0.78%	967,000	14,044,623	93.6%	0.73%	44,913,155
From 28 March 2015 to 27 April 2015	57,607,695	1,913,736,798	3.01%	1,625,000	55,982,695	97.2%	2.93%	190,630,203
From 28 April 2015 to 27 May 2015 (Note 2)	27,729,035	1,913,736,798	1.45%	-	27,729,035	100.0%	1.45%	104,572,816
Subtotal	122,076,084			10,149,000	111,927,084	91.7%		405,019,212
After the Announcement Date								
28 and 29 May 2015	8,412,096	1,913,736,798	0.44%	-	8,412,096	100.0%	0.44%	30,998,744
From 30 May 2015 to 29 June 2015	34,994,180	1,913,736,798	1.83%	-	34,994,180	100.0%	1.83%	132,025,283
From 30 June 2015 to 29 July 2015	40,624,655	1,913,736,798	2.12%	-	37,224,655	100.0%	2.12%	144,998,803
From 30 July 2015 to 28 August 2015	15,285,615	1,913,736,798	0.80%	-	15,285,615	100.0%	0.80%	48,988,198
Total	221,392,630			10,149,000	211,243,630	95.4%		762,030,240

Notes:

- All of the Dorsett Shares traded during the stated period were held by Independent Dorsett Shareholders. None of the Offeror Concert Parties have traded in Dorsett Shares during the stated period.
- Trading in Dorsett Shares and FEC Shares was suspended from 21 May 2015 to 27 May 2015 pending the release of the Announcement.

It is observed from the above tables that during the period 28 January 2015 to the Latest Practicable Date, the share trading activity, as a percentage of total number of issued shares, was at a similar level for both FEC and Dorsett Shares.

4.3 Relative value in terms of NAV when swapping Dorsett Shares into part cash and FEC Shares

The nature of Dorsett Group's assets is mainly real estate (being hotel assets). Similarly, the nature of FEC Group's principal assets is also real estate (being (i) residential, commercial and retail properties; (ii) hotel assets through its holding in Dorsett Group; and (iii) car parks). We note that net asset value is a commonly adopted method to evaluate the values of such companies. Consequently, when considering the reasonableness of the Proposal, we have analysed the Adjusted NAV per Dorsett Share and Adjusted NAV per FEC Share. For the analysis below, we noted that both the Adjusted NAV per Dorsett Share and FEC Share is adjusted in order to recognise the revaluation surplus arising from the valuation of the property interests of Dorsett and FEC, thereby reflecting the market value of these properties rather than carrying them at cost, which would not have reflected their true market value.

Adjusted NAV per Dorsett Share

As set out in the audited consolidated results of Dorsett Group, its Adjusted NAV amounted to approximately HK\$14.9 billion or HK\$7.10 per Dorsett Share (after taking into account the revaluation surplus arising from the valuation of Dorsett Group's property interests).

Adjusted NAV per FEC Share

According to the audited consolidated results of FEC Group, its net asset value attributable to FEC Shareholders amounted to HK\$4.78 per FEC Share. Taking into account the revaluation surplus arising from the valuation of FEC's property interests, FEC Group's Adjusted NAV would have been HK\$10.63 per FEC Share.

Based on the above, the Cancellation Consideration of HK\$1.80 per Dorsett Share is at a substantial discount of approximately 74.6% to the Adjusted NAV per Dorsett Share of approximately HK\$7.10. However, as the Cancellation Consideration comprises the exchange of Dorsett Shares into 0.28125 FEC Consideration Shares in addition to the cash consideration of HK\$0.72 per Dorsett Share, the value of the Cancellation Consideration hinges on the value of FEC Shares. As such, it is also necessary to take into consideration the Adjusted NAV per FEC Consideration Share so as to reflect the underlying value of the FEC Consideration Share.

Based on the above, Adjusted NAV per 0.28125 FEC Consideration Share is HK\$2.99. As such, when taking into account the underlying value of the FEC Consideration Shares, in terms of FEC's Adjusted NAV, the total value of the Cancellation Consideration to the Dorsett Shareholders, per Dorsett Share, is HK\$3.71 (being HK\$0.72 + HK\$2.99). This represents a discount of 47.7% to the Adjusted NAV per Dorsett Share of HK\$7.10. We note that, since the commencement of dealing on the Stock Exchange on 11 October 2010, the Dorsett Shares have always traded at a substantial discount to Dorsett's Adjusted NAV. Taking into account the aforementioned and the below factors, despite the substantial discount to the Adjusted NAV of Dorsett, we are of the view that the Cancellation Consideration is in the interests of the Independent Dorsett Shareholders and Dorsett as a whole:

- (i) FEC recorded a cumulative presales value of properties under development amounting to approximately HK\$6.5 billion as at 31 March 2015, including approximately HK\$4.8 billion of contracted presales. For the purpose of the Scheme Document, all properties under development are revalued at their market value as at 31 May 2015 and the market value related thereto is included in the Adjusted NAV. However, the profit in relation to the cumulative presales value were not included in the property valuation as at 31 May 2015 and thus not reflected in the Adjusted NAV.
- (ii) FEC, whose operations include residential property development, retail and office property investment, car park management and hotel development and operations across a number of geographical locations, has a more diversified risk portfolio than Dorsett, whose revenue is almost solely generated from its hotel business. As such, FEC's operations are generally more stable and better protected from individual external industry factors than Dorsett; and
- (iii) as discussed above in the paragraphs headed "1.4 Outlook" and "2.3 Outlook" in this letter, Dorsett's future outlook in the next two to three years is less certain than that of FEC, and its recent operating results have been less positive.

5. The Proposal – conditions precedent

The Proposal is, and the Scheme will become, effective and binding on Dorsett and all Dorsett Shareholders, subject to the fulfillment or waiver (as applicable) of the conditions set out in the section headed “Explanatory Statement” in Part VII of the Scheme Document. Of these conditions, we wish to highlight the requirements in terms of approval by the Scheme Shareholders as follows.

The approval, by way of poll, by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:

- (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by Independent Dorsett Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by Independent Dorsett Shareholders.

If the Scheme is not approved, the Proposal will lapse and the Dorsett Shares will remain listed on the Stock Exchange. Pursuant to the Takeovers Code, the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) is restricted from announcing or making subsequent offer or possible offer within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses.

In this respect, we noted that unlike a general offer to acquire all or part of a listed company’s shares, the Proposal regarding the possible privatisation by the Offeror will be conducted by way of a scheme of arrangement under Section 86 of the Companies Law. The key difference will be that Independent Dorsett Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in Dorsett. Rather, if the Conditions as described in the section headed “4. Conditions of the Scheme and the Proposal” in Part VII of the Scheme Document are fulfilled or waived (as applicable), the Proposal is, and the Scheme will be, effective and binding on Dorsett and all Dorsett Shareholders; as such, all Independent Dorsett Shareholders (regardless of whether they support the Proposal or otherwise) will be compelled to accept the Cancellation Consideration for their

entire shareholding interests. Vice versa, if the Proposal is not approved, the Scheme will lapse and all Independent Dorsett Shareholders will retain all their existing interests in Dorsett, and without the possibility of receiving another offer from the Offeror for a period of 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses.

6. The Proposal – comparable companies and privatisation precedents

6.1 *Comparable companies*

In evaluating the Proposal, we identified other listed hotel groups with which we sought to compare the valuation of HK\$1.80 per Dorsett Share with reference to the Adjusted NAV of such companies. However, from discussions with the Management and our own independent research, we are of the view that there are no listed companies comparable to Dorsett as further elaborated below. In particular, we are of the view hotel groups listed on the Hong Kong Stock Exchange to be most suitable for comparison as the market climate and investor confidence would have the same influence on the Dorsett share price when compared with other listed hotel groups. In this connection, we looked at hotel groups in light of the following criteria to determine suitability of comparison:

- (i) *solely or predominantly operationally based in Hong Kong, Asia/South-East Asia region*

Given the nature of the business, performance of hotels are strongly correlated to their geographical location. As such, hotel groups with operations in different regions to Dorsett Group, being subject to highly differing economic and industry climates, are not suitable comparisons.

- (ii) *active in both hotel development and operations and without significant other operational activities*

Companies solely operating in only one of such segments would have a different business model and correspondingly, a different risk profile to Dorsett Group. In particular, since Dorsett Group principally develop hotels for their own management, its business model, financial performance and thus value is also different to that of a hotel developer that does not manage their own hotels or a group that purely manages hotels but does not own the properties. During our independent research, we noted that a number of hotel groups are also engaged in other operational activities in addition to hotel development and operations (for instance, property development), which were significant in scale, making them inappropriate comparisons due to differing industry structures and business models.

- (iii) *similar market and brand position as Dorsett Group*

From discussions with the Management, we understand that for the hotel business, the value and operations are substantially influenced by its brand and market position. For instance, whilst the high-net-worth clientele of luxury hotel groups would generally be less sensitive to adverse movements in the general economic conditions than the middle class and budget travellers, the operating costs in maintaining luxury hotels are also significantly higher than those of midscale to upper midscale hotels. On the other hand, a world-renowned brand would in itself provide a premium to the hotel group's value. As such, we concur with the Management that for a meaningful comparison, comparables should have at least a similar market and brand position as Dorsett Group.

- (iv) *business scale*

The size of the business, namely the number of hotels owned and/or operated by the listed company and the business revenue will affect the operating model of a company. In the hotel industry, for example, a larger group may enjoy economies of scale but may face higher administration costs.

The following is a list of companies that were shortlisted as potentially eligible for comparison, but were deemed unsuitable for the following reasons:

HK Listed Hotel Company	Reasons for incomparability
Asia Standard Hotel Group Limited (stock code: 0292)	<ul style="list-style-type: none"> - Business interest outside of hotels - Scale of hotel business much smaller than Dorsett
The Hongkong and Shanghai Hotels, Limited (stock code: 0045)	<ul style="list-style-type: none"> - Major business interests outside of hotels - Operates in the luxury market segment as opposed to middle market - Scale of hotel business much larger than Dorsett
Miramar Hotel and Investment Company, Limited (stock code: 0071)	<ul style="list-style-type: none"> - Major business interests outside of hotels - Scale of hotel business much smaller than Dorsett
Regal Hotels International Holdings Limited (stock code: 0078)	<ul style="list-style-type: none"> - Operations limited to China - Scale of hotel business much smaller than Dorsett
Rosedale Hotel Holdings Limited (stock code: 1189)	<ul style="list-style-type: none"> - Operations limited to Hong Kong - Scale of hotel business much smaller than Dorsett
Shangri-La Asia Limited (stock code: 0069)	<ul style="list-style-type: none"> - Scale of hotel business much larger than Dorsett - Major business interests outside of hotels
Sino Hotel (Holdings) Limited (stock code: 1221)	<ul style="list-style-type: none"> - Scale of hotel business much smaller than Dorsett - The group does not operate all their hotels

In addition to the above, we also note that there are real estate investment trust (“REIT”) with interests in hotels such as Regal REIT (stock code: 1881). In this regard, we consider that it is not appropriate to compare listed REITs with listed companies, since there are different rules governing these two types of products (REITs vs. equities), exemplifying their intrinsic differences. In particular, (i) at least 75% of a listed REIT’s gross asset value must be invested in real estate that generates recurrent rental income at all times; (ii) the aggregate investments in all property developments undertaken by REITs, together with the aggregate contract value of the uncompleted units of real estate acquired shall not exceed 10% of the gross asset value of the REIT at any time; and (iii) REITs must distribute a minimum of 90% of net income after taxes to unitholders as dividends each year. Such requirements mean that the factors to consider when investing in a REIT are different to that of a listed company, potentially affecting its valuation.

Taking into consideration the above, we were unable to identify any suitable Hong Kong listed hotel groups to conduct a meaningful comparison to the Dorsett Group.

6.2 *Privatisation precedents*

We considered finding privatisation precedents involving companies from different industries and/or of a different nature to Dorsett to be not meaningful as the Cancellation Consideration to be paid for Dorsett Group is dependent on its industry and the nature of its operations such that no useful comparison could be made with other companies which did not share the same basic focus.

As such, given the lack of appropriate comparable cases, we had not been able to conduct an analysis in this respect.

7. The Proposal – Rule 13 Offer for the Dorsett Options

Pursuant to the Rule 13 Offer made by, or on behalf of, the Offeror to the holders of the Dorsett Options, the Dorsett Option Offer Price is offered for each vested and unvested Dorsett Options held as at the Rule 13 Offer Record Date in consideration for the cancellation of all rights and obligations under the Dorsett Options and the immediate cancellation of the Dorsett Options. The Dorsett Option Offer Price represents the “see-through” price of the Dorsett Option, being the higher of (i) the amount by which the value of the Cancellation Consideration exceeds the exercise price of Dorsett Options; and (ii) HK\$0.01.

Pursuant to the terms of the Rule 13 Offer, holders of Dorsett Options can choose from the following options:

- (i) if their Options are vested and outstanding, to exercise, to the extent not already exercised, their Dorsett Options at any time before the Latest Option Exercise Date, allowing the holder to be subject to and eligible to participate in the Scheme;
- (ii) to the extent any outstanding Dorsett Options are not exercised on or prior to the Latest Option Exercise Date, at any time after the Latest Option Exercise Date and before 14 days following the Effective Date, to accept the “see-through” price as stipulated by the Rule 13 Offer; or
- (iii) to do nothing, in which case, if the Scheme becomes effective, the unexercised outstanding Dorsett Options will lapse automatically 14 days after the Effective Date, in which case neither the Cancellation Consideration nor the “see-through” price will be received.

We are of the view that the use of the “see-through” price ensures that the holders of the Dorsett Options are essentially offered the same price as the Independent Dorsett Shareholders net of the exercise price as stipulated by the Dorsett Options, thus ensuring equality of treatment between Dorsett Shareholders and holders of Dorsett Options. Therefore, our view on the fairness and reasonableness of the Rule 13 Offer is the same as our view on the Proposal and Cancellation Consideration elsewhere in this letter.

8. Reasons and benefits of the Proposal for the Independent Dorsett Shareholders

The reasons for and benefits of the Proposal are summarised below:

8.1 *FEC Group’s diversified operations*

Whilst Dorsett Group’s revenue is almost solely derived from its hotel operations and development, for the year ended 31 March 2015, FEC Group’s revenue was derived from a more diversified field, as to approximately 58.0% from property development, 1.1% from property investment, 28.5% from Dorsett’s operations, 12.1% from car park operations and 0.4% from other sources.

In terms of geographic coverage, Dorsett Group’s operations are located in Hong Kong, the UK, the PRC, Singapore and Malaysia and for the year ended 31 March 2015, 56.1% of revenue was generated from its Hong Kong operations. Whereas, FEC Group’s top revenue generating operating location, Hong Kong, only generated approximately 37.7% of total revenue and FEC’s operations also cover Australia in addition to the above locations.

Given Dorsett Group's more concentrated focus in terms of business scope, the financial performance of Dorsett Group could be less stable compared with the business of FEC Group (which includes a broader business portfolio of residential property development, retail and office property investment, and ownership and management of car parks, in addition to its hotel interests through Dorsett Group).

Not only may FEC Group's financial performance be more stable as a result of the diversified business, but diversification also brings benefits in terms of improved risk profile. We note that Dorsett Group already adopts a hotel developer-owner business model, which contains development risks similar to FEC Group's residential property development. Meanwhile, such risks are generally not present in FEC's other business segments such as property investment and car park ownership and management and they may experience different business and market cycles and be subject to different risks. This enables Scheme Shareholders to diversify the risks of their investment and avoid concentration of risk.

Furthermore, according to FEC's annual report for the year ended 31 March 2015, the directors of FEC expect the property market in Australia to remain buoyant due to the current low interest rate environment and expected further interest rate cuts in the coming months. In this connection, we note that approximately 54.3% of FEC's HK\$35 billion (gross development value) development pipeline is located in Australia. Moreover, FEC Group's car park operations and facilities management business is expected to continue to generate steady recurring income.

As noted in the section headed "1.4 Outlook", we note that in the long-term, tourist numbers to Hong Kong are expected to overcome the recent temporary obstacles mentioned above and recover their longer term fundamental growth trend, and it is expected by the Management that Dorsett Group's operations and financial position may regain their buoyancy in the future. Accordingly, it is possible, subject to future market conditions, that investors interested solely in the hotel industry would benefit from retaining their Dorsett Shares. However, there remains uncertainty regarding when the tourism figures in Hong Kong and the Ringgit Malaysia will recover and the extent to which such recovery would affect Dorsett Group's own performance and in turn the extent to which the change in performance would be reflected in its share price. The Proposal represents an alternative which allows Dorsett Shareholders to immediately realise a portion of their initial investment in cash, whilst exchanging a portion of their investment into FEC Consideration Shares. This mechanism enables Independent Dorsett Shareholders to maintain their exposure to the hotel industry whilst better insulating themselves against the risks of pursuing one single industry. We are of the view that at the current time, the stability and visibility of FEC Group's financial and operational performance are more favourable than the uncertain conditions faced by Dorsett Group.

In light of the above, it may be an opportune time for Independent Dorsett Shareholders to exchange their investments in Dorsett Group partly

into investments in FEC Group to take advantage of the aforesaid diversified business prospects, with the other part being exchanged for cash. Moreover, upon the exchange into FEC Consideration Shares, Independent Dorsett Shareholders will still retain the investment exposure to Dorsett Group's hotel business as FEC Group will wholly-own Dorsett Group upon completion of the Proposal.

8.2 *Relative amount of dividend receivable by Independent Dorsett Shareholders*

For illustration purposes and using historical data as references, we have also compared the amount of dividend per Dorsett Share which the Independent Dorsett Shareholders had obtained since its listing in October 2010, with the dividend stream they would have received had the Independent Dorsett Shareholders held FEC Shares and had received the cash consideration of HK\$0.72 per Dorsett Share under the Proposal.

Financial year	DPS* for Dorsett HK\$	DPS* for FEC HK\$	FEC Adjusted DPS* (Note) HK\$	% gain/(loss)
2010/11	0.040	0.070	0.033	(17.5)%
2011/12	0.120	0.060	0.028	(76.7)%
2012/13	0.120	0.130	0.061	(49.2)%
2013/14	0.070	0.150	0.070	–
2014/15	0.040	0.160	0.075	87.5%

* DPS = dividend per share

Note: In order to adjust for the cash payment portion of the Cancellation Consideration, DPS was adjusted on the assumption that instead of part-cash, part-share exchange, the Cancellation Consideration of HK\$1.80 was purely settled by way of FEC Shares. Therefore, at the reference closing price of HK\$3.84 per FEC Share, HK\$1.80 is equivalent to 0.46875 FEC Shares. Accordingly FEC's adjusted DPS is calculated on the basis of one (1) Dorsett Share to 0.46875 FEC Consideration Share.

From the above, in the recent two years, the amount of dividends received had FEC Shares been held would have been equal, if not higher than had Dorsett Shares been held. It is noted that historical dividend payout rates may not be representative of future payment. Nevertheless, based on our discussion with the management of FEC, we understand that it is FEC's intention to maintain its past dividend payout ratio. In particular, FEC's ability to declare dividend in the future is underpinned by the clarity of the future revenue stream as discussed above.

Independent Dorsett Shareholders will be entitled to dividend of both Dorsett and FEC declared for the year ended 31 March 2015 (subject to the approvals of the respective shareholders of Dorsett and FEC), should the Scheme be approved. Accordingly, Scheme Shareholders will be entitled to total dividend per Dorsett Share of approximately HK\$0.06 in such event.

Since both Dorsett Group and FEC Group pay out dividends to their shareholders, by accepting the Proposal, Independent Dorsett Shareholders will not be swapping for non-dividend paying shares and if trends in the past few years continue, can expect to receive dividends at a rate set by FEC Group after exchange of part of their holdings into FEC shares. It is noted that given the share swap is not on a one-for-one basis, the Independent Dorsett Shareholders may receive a dividend that is of a lower amount and yield to that they currently receive holding Dorsett Shares. It is meanwhile observed that the portion of cash consideration received by the Independent Dorsett Shareholders can possibly be deployed towards the purchase of additional shares in FEC Group or other investment opportunities which may also generate a return.

RECOMMENDATION

We note that the value of Cancellation Consideration, based on the closing price of FEC Shares as at the Last Trading Day, represents a discount of approximately 74.6% to the Adjusted NAV of Dorsett Group (approximately 77.7% discount based on the value of Cancellation Consideration as at the Latest Practicable Date). Meanwhile, based on the Adjusted NAV per FEC Share of HK\$10.63, the total value of the Cancellation Consideration amounts to HK\$3.71, representing a discount of 47.7% to the Adjusted NAV per Dorsett Share. However, taking into account the factors set out below and that the Dorsett Shares have always traded at a substantial discount to Dorsett's Adjusted NAV since the commencement of dealing on the Stock Exchange on 11 October 2010, we are of the view that the Proposal and the Scheme are fair and reasonable and in the interests of the Independent Dorsett Shareholders and the Dorsett Group as a whole:

- (i) Dorsett Group's business operations in its core markets, namely Hong Kong and Malaysia, are currently experiencing a period of uncertainty and a challenging operating environment. Whilst it is possible that the long-term may see improved economic conditions and improved hotel industry performance, there is no certainty in respect of the timing of such occurrence, the potential impact such development will have on Dorsett Group's operational and general performance or, in the case where Dorsett Group benefits from the improved market conditions, whether its share price will reflect the better performance;

- (ii) on the other hand, FEC, whose shares Independent Dorsett Shareholders will be exchanging part of their investment into, should they approve the Proposal, has a more certain outlook with a substantial pipeline of property development projects with seven projects which have already entered the pre-sales stage of development and expected to be completed within three years, with contracted pre-sales totalling approximately HK\$4.8 billion as at 31 March 2015;
- (iii) FEC, whose operations include residential property development, retail and office property investment, car park management and hotel development and operations across a number of geographical locations, has a more diversified risk portfolio than Dorsett, whose revenue is almost solely generated from its hotel business. As such, FEC's operations are generally more stable and better protected from individual external industry factors than Dorsett;
- (iv) based on the closing price per FEC Share on the Last Trading Day, the Cancellation Consideration with a value of HK\$1.80 represents a premium of approximately 32.4% over the closing price per Dorsett Share of HK\$1.36 as quoted on the Stock Exchange on the Last Trading Day. Based on the closing price per FEC Share as at the Latest Practicable Date, the Cancellation Consideration with a value of HK\$1.58 represents a premium of approximately 10.5% over the closing price of the Dorsett Share of HK\$1.43 as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) Independent Dorsett Shareholders, will be swapping shares in one Hong Kong listed company for shares in another Hong Kong listed company, both of which had similar trading activity in terms of a percentage of total number of issued shares.

In respect of the Rule 13 Offer, we are of the view that the holders of the Dorsett Options are being treated equally pursuant to the Proposal. We consider the terms of the Proposal, Scheme and the Rule 13 Offer to be fair and reasonable so far as the Independent Dorsett Shareholders and holders of Dorsett Options are concerned. Accordingly, we advise the Dorsett Independent Board Committee to recommend the Independent Dorsett Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the Extraordinary General Meeting and holders of Dorsett Options to accept the Rule 13 Offer.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company and has not acted as an independent financial adviser of the Company's transactions in the last two years from the date of the Scheme Document.

This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised)

**A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
TO CANCEL ALL THE SCHEME SHARES**

1. INTRODUCTION

FEC, the Offeror and Dorsett jointly issued an announcement dated 27 May 2015, which stated that on 20 May 2015, the Board of FEC requested the Board of Dorsett to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of Dorsett by way of the Scheme.

The Scheme and the Proposal involve the cancellation of all the Scheme Shares in exchange for the Cancellation Consideration, and the subsequent issue of new Dorsett Shares to the Offeror, as a result of which it is intended that Dorsett will be wholly-owned by FEC and the listing of Dorsett Shares on the Stock Exchange will be withdrawn. The expected last date for trading in Dorsett Shares on the Stock Exchange will be 25 September 2015.

The Offeror is making the Rule 13 Offer to holders of outstanding Dorsett Options to cancel all vested and unvested outstanding Dorsett Options in accordance with Rule 13 of the Takeovers Code. The Rule 13 Offer will be conditional on the Scheme becoming effective.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal, which are to be implemented by the Scheme, and the Rule 13 Offer, and to provide the Dorsett Shareholders and holders of outstanding Dorsett Options with other relevant information in relation to the Scheme, the Proposal and the Rule 13 Offer, in particular, to provide the intentions of FEC and the Offeror with regard to Dorsett and the shareholding structure of Dorsett before and after the Scheme and the Proposal.

Particular attention of the Dorsett Shareholders and holders of outstanding Dorsett Options is drawn to the following parts of this Scheme Document: (a) the Letter from the Dorsett Board set out in Part IV of this Scheme Document; (b) the Letter from the Dorsett Independent Board Committee set out in Part V of this Scheme Document; (c) the Letter from the Dorsett Independent Financial Adviser set out in Part VI of this Scheme Document; and (d) the terms of the Scheme set out in Appendix VIII to this Scheme Document.

2. TERMS OF THE SCHEME AND THE PROPOSAL

The Proposal is to be implemented by way of the Scheme and the Rule 13 Offer.

Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder whose name appears on the register of members of

Dorsett as at the Scheme Record Date will be entitled to receive the Cancellation Consideration. The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme and the Offeror does not reserve the right to do so.

The Dorsett Board has declared a final dividend of HK\$0.02 per Dorsett Share for the year ended 31 March 2015 with the Dorsett Shareholders' approval obtained at the annual general meeting of Dorsett held on 27 August 2015. Dorsett Shareholders whose names appear on the register of members of Dorsett as at 2 September 2015 will be entitled to receive such dividend. Dorsett does not expect to declare any further dividend on or before the Effective Date.

The Board of FEC has declared a final dividend of HK\$0.13 per FEC Share for the year ended 31 March 2015 in the form of a scrip dividend with the shareholders of FEC being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements, with the approval by the Shareholders of FEC at the annual general meeting of FEC held on 27 August 2015. The Scheme Shareholders will be entitled to dividends declared and payable on the FEC Consideration Shares with a record date of 22 October 2015 and after the date on which the relevant FEC Consideration Shares have been registered in their names. Should the Scheme become effective, the Scheme Shareholders will be entitled to the final dividend of both Dorsett and FEC declared for the year ended 31 March 2015.

As at the Latest Practicable Date, the authorised share capital of Dorsett was HK\$500,000,000.00 divided into 5,000,000,000 Dorsett Shares of par value HK\$0.10, and the issued share capital of Dorsett was approximately HK\$210,062,665.00 divided into 2,100,626,650 Dorsett Shares of par value HK\$0.10. All of Dorsett Shares rank equally in all respects as regards to rights to capital, dividends and voting. As at the Latest Practicable Date, Dorsett Shareholders (other than the Offeror and FEC) were interested in 546,747,000 Dorsett Shares, representing approximately 26.03% of the issued share capital of Dorsett.

As at the Latest Practicable Date, there were 14,414,545 Dorsett Options granted under the Share Option Scheme, each giving the holder of each outstanding Dorsett Option the right to subscribe for one new Dorsett Share. The exercise price of each Dorsett Option is HK\$2.20.

In the event that any outstanding Dorsett Option is vested and exercised prior to the Meeting Record Date, the relevant registered holder of the Dorsett Share converted from the outstanding Dorsett Option shall be entitled to attend and vote at the Court Meeting and the Extraordinary General Meeting in respect of the relevant Dorsett Share. The latest time for holders to exercise their vested and outstanding Dorsett Options in order to become entitled to vote at the Court Meeting and the Extraordinary General Meeting is 3:30 p.m. on Tuesday, 15 September 2015. In the event that any outstanding Dorsett Option is vested and exercised prior to the Latest Option Exercise Date, the relevant holder of the Dorsett Share converted from the Dorsett Option shall be subject to and eligible for the Scheme.

Any holder of outstanding Dorsett Options, whose Dorsett Options remain unvested or whose Dorsett Options have vested but have not been exercised as at the Meeting Record Date and/or the Latest Option Exercise Date (as the case may be), will not be entitled to attend and vote at the Court Meeting and the Extraordinary General Meeting in respect of such Dorsett Options, and will not be eligible to participate in the Scheme but still be eligible to participate in the Rule 13 Offer in respect of such Dorsett Options, respectively.

Apart from Mr. HOONG Cheong Thard, Mr. CHAN Chi Hing, Ms. CHIU Wing Kwan Winnie, Ms. CHIU Wendy and Mr. LAI Wai Keung, there are no other holders of Dorsett Options who are Offeror Concert Parties. Save for 14,414,545 Dorsett Options, there are no outstanding options, warrants, derivatives or other securities issued by Dorsett that carry a right to subscribe for or which are convertible into Dorsett Shares.

Details of the Rule 13 Offer made by the Offeror in respect of Dorsett Options are set out in the section headed "9. Dorsett Options and the Rule 13 Offer" below, and in the Form of Rule 13 Offer Letter set out in Appendix XI to this Scheme Document.

After the Scheme becomes effective, the listing of Dorsett Shares on the Stock Exchange will be withdrawn and Dorsett will be wholly-owned by FEC. The Scheme and the Proposal are conditional upon the fulfilment or waiver, as applicable, of the Conditions as described in the section headed "4. Conditions of the Scheme and the Proposal" below. All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 23 November 2015 (or such later date as the Offeror, Dorsett and Investec may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Scheme and the Proposal will lapse. Further announcements on any changes regarding the timetable of the Scheme and the Proposal will be made as and when necessary.

If the Scheme and the Proposal do not become unconditional, Dorsett has no intention to seek the immediate withdrawal of the listing of Dorsett Shares on the Stock Exchange.

Settlement of the Cancellation Consideration and the Rule 13 Offer will be implemented in full in accordance with the terms of the Scheme, the Proposal and the Rule 13 Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder or holder of Dorsett Options.

3. CANCELLATION CONSIDERATION

Comparison of value

Closing prices of and net asset value per Dorsett Share

Based on the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Cancellation Consideration is equivalent to HK\$1.80, being the aggregate of the cash sum of HK\$0.72 and 0.28125 of the aforesaid closing price of HK\$3.84 per FEC Share, which represents:

- a premium of approximately 32.4% over the closing price of HK\$1.36 per Dorsett Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 35.3% over the average closing price of approximately HK\$1.33 per Dorsett Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 38.5% over the average closing price of approximately HK\$1.30 per Dorsett Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 41.7% over the average closing price of approximately HK\$1.27 per Dorsett Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a discount of approximately 1.1% to the consolidated net asset value per Dorsett Share of approximately HK\$1.82 as at 31 March 2015; and
- a discount of approximately 74.6% to the Adjusted NAV per Dorsett Share of approximately HK\$7.10.

Based on the closing price of HK\$3.05 per FEC Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Cancellation Consideration is equivalent to HK\$1.58, being the aggregate of the cash sum of HK\$0.72 and 0.28125 of the aforesaid closing price of HK\$3.05 per FEC Share, which represents:

- a premium of approximately 10.5% over the closing price of HK\$1.43 per Dorsett Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 13.2% to the consolidated net asset value per Dorsett Share of approximately HK\$1.82 as at 31 March 2015; and
- a discount of approximately 77.7% to the Adjusted NAV per Dorsett Share of approximately HK\$7.10.

Issue price per FEC Consideration Share

The issue price of HK\$3.84 per FEC Consideration Share represents:

- the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 0.5% over the average closing price of approximately HK\$3.82 per FEC Share based on the daily closing prices

as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- a premium of approximately 0.8% over the average closing price of approximately HK\$3.81 per FEC Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 8.8% over the average closing price of approximately HK\$3.53 per FEC Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day.
- a discount of approximately 19.7% to the consolidated net asset value per FEC Share of approximately HK\$4.78 as at 31 March 2015;
- a discount of approximately 63.9% to the Adjusted NAV per FEC Share of approximately HK\$10.63; and
- a premium of approximately 25.9% over the closing price of HK\$3.05 per FEC Share as quoted on the Stock Exchange on the Latest Practicable Date.

Fractions of FEC Consideration Shares

FEC will not allot and issue any fractions of a FEC Consideration Share to any Scheme Shareholders who would otherwise be entitled to receive fractional FEC Consideration Shares as a result of the number of Scheme Shares held. There will also not be any rounding up of fractions of an FEC Consideration Share to a whole FEC Consideration Share because Scheme Shareholders could deliberately create odd holdings of Scheme Shares resulting in the issue of more FEC Consideration Shares than contemplated and thereby increasing the cost of the Scheme to FEC. It is not the intention of FEC that entitlements to the Cancellation Consideration be the subject of such potential abuse.

4. CONDITIONS OF THE SCHEME AND THE PROPOSAL

The Proposal is, and the Scheme will become, effective and binding on Dorsett and all Dorsett Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Dorsett Shareholders representing not less than 75% in value of the Dorsett Shares held by the Independent Dorsett Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
 - i. the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Dorsett Shareholders that are cast either in person or by proxy at the Court Meeting; and

- ii. the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Dorsett Shareholders;
- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes of the Dorsett Shareholders present and voting in person or by proxy at an extraordinary general meeting of Dorsett to approve the reduction of the issued share capital of Dorsett by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Dorsett Shareholders at an extraordinary general meeting of Dorsett to increase immediately thereafter the issued share capital of Dorsett to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Dorsett Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror;
 - (c) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the reduction of the share capital of Dorsett, and the registration of a copy of the Court Orders by the Registrar of Companies in the Cayman Islands;
 - (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of Dorsett;
 - (e) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities of the Cayman Islands, Hong Kong and any other relevant jurisdictions;
 - (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
 - (g) all necessary consents (including consents from the relevant lenders) in connection with the Scheme and the Proposal and the withdrawal of listing of Dorsett Shares from the Stock Exchange which may be required under any existing contractual obligations of Dorsett being obtained and remaining in effect;

- (h) if required, the obtaining by FEC and the Offeror of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under the applicable laws and regulations;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms);
- (j) since 31 March 2015, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Dorsett Group (to an extent which is material in the context of the Dorsett Group taken as a whole or in the context of the Proposal); and
- (k) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Dorsett Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Dorsett Group taken as a whole or in the context of the Proposal.

The Offeror reserves the right to waive conditions (g), (h), (i), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. In the event that condition (e) and/or condition (f) is not/are not fulfilled, the Offeror reserves the right to assess the materiality of such non-fulfilment and to waive the fulfilment of any such condition to such extent as it considers appropriate. Conditions (a), (b), (c) and (d) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme and the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Scheme and the Proposal.

The Offeror does not consider condition (j) not to be satisfied or having to be waived by reason of the material change in the financial or the trading position or outlook of Dorsett Group subsequent to Dorsett's last published audited accounts set out in the section headed "IV. Material Changes" of Appendix I to this Scheme Document. The

Offeror is prepared to proceed with the Scheme and the Proposal notwithstanding the aforesaid material change in the financial or the trading position or outlook of Dorsett Group.

As for condition (k), the Offeror notes the ongoing litigation in respect of HKSAR Hotel, the details of which are set out in the paragraph headed “Contingent Liabilities” under the section headed “III. Indebtedness” of Appendix I to the Scheme Document. The Offeror has confirmed that it will not make use of the aforesaid litigation as a reason for the non-fulfilment of condition (k).

As at the Latest Practicable Date, none of the conditions have been fulfilled or waived.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror, Dorsett and Investec may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Scheme and the Proposal will lapse. Dorsett has no right to waive any of the Conditions.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before 6 October 2015 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the Extraordinary General Meeting and, if the Resolutions are passed at those meetings; (ii) the result of the hearing of the petition for the sanction of the Scheme by the Grand Court; (iii) the Scheme Record Date; (iv) the Effective Date; and (v) the date of withdrawal of the listing of Dorsett Shares on the Stock Exchange as further set out in Part III — Expected Timetable of this Scheme Document.

If the Scheme is not approved or the Proposal otherwise lapses, Dorsett has no intention to seek the immediate withdrawal of the listing of Dorsett Shares on the Stock Exchange. An announcement will be made in due course by the Offeror, FEC and Dorsett in such event.

Dorsett Shareholders and/or potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Dorsett Shareholders and potential investors should therefore exercise caution when dealing in the securities of Dorsett. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor or other professional advisers.

5. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be requested to order the convening of a meeting of a class of members being the Scheme Shareholders.

6. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by the Independent Dorsett Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Dorsett Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by the Independent Dorsett Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Dorsett Shareholders.

For the purpose of this vote, the Independent Dorsett Shareholders comprise all Dorsett Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, the Independent Dorsett Shareholders include any member of the Investec group acting in its capacity as a Registered Owner of the Dorsett Shares held on behalf of a Beneficial Owner in respect of those shares only where the Beneficial Owner (i) controls the voting rights attaching to those Dorsett Shares; (ii) if the Dorsett Shares are voted, gives instructions as to how those Dorsett Shares are to be voted; and (iii) is not the Offeror and an Offeror Concert Party. Dorsett Shareholders that are not the Independent Dorsett Shareholders will be required to abstain from voting at the Court Meeting in accordance with the Takeovers Code.

As at the Latest Practicable Date, the Independent Dorsett Shareholders held in aggregate 536,608,909 Scheme Shares. On that basis, and assuming no outstanding Dorsett Options are exercised before the Meeting Record Date, 10% of the votes attached to Scheme Shares held by all the Independent Dorsett Shareholders referred to in (b) above therefore represent approximately 53,660,891 Dorsett Shares as at the Latest Practicable Date. The latest time for holders to exercise their vested and outstanding Dorsett Options in order to become entitled to vote at the Court Meeting and the Extraordinary General Meeting is 3:30 p.m. on Tuesday, 15 September 2015.

7. BINDING EFFECT OF THE SCHEME AND THE PROPOSAL

Upon the Scheme and the Proposal becoming effective, it will be binding on Dorsett and all Dorsett Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the Extraordinary General Meeting.

8. SHAREHOLDING STRUCTURE OF DORSETT AND THE SCHEME SHARES

On the assumption that no outstanding Dorsett Options are exercised before the Latest Option Exercise Date and there is no other change in shareholding of Dorsett before completion of the Proposal, the table below sets out the shareholding structure of Dorsett as at the Latest Practicable Date and immediately upon completion of the Proposal:

Dorsett Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 13)	
	Number of Dorsett Shares	%	Number of Dorsett Shares	%
Offeror (Note 1)	0	0.00	546,747,000	26.03
Offeror Concert Parties				
Dorsett Shares held not subject to the Scheme:				
— FEC (Note 2)	1,553,879,650	73.97	1,553,879,650	73.97
	<u>1,553,879,650</u>	<u>73.97</u>	<u>2,100,626,650</u>	<u>100.00</u>
Offeror Concert Parties				
Dorsett Shares held subject to the Scheme:				
— Tan Sri Dato' CHIU David (Note 3)	8,651,361	0.41	—	—
— Ms. NG Nancy (Note 4)	8,861	0.00	—	—
— Mr. CHIU Dennis (Note 5)	50,651	0.00	—	—
— Mr. CHIU Daniel (Note 6)	29,079	0.00	—	—
— Mr. HOONG Cheong Thard (Note 7)	4,242	0.00	—	—
— Mr. CHAN Chi Hing (Note 8)	3,000	0.00	—	—
— Ms. CHIU Wing Kwan Winnie (Note 9)	206,756	0.01	—	—
— Ms. CHIU Margaret (Note 10)	11,517	0.00	—	—
— Mr. CHIU Deacon Te Ken (Note 11)	1,172,624	0.06	—	—
	<u>10,138,091</u>	<u>0.48</u>	<u>—</u>	<u>—</u>

Dorsett Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 13)	
	Number of Dorsett Shares	%	Number of Dorsett Shares	%
Aggregate number of Dorsett Shares held by the Offeror Concert Parties	1,564,017,741 (note 14)	74.45	1,553,879,650 (note 14)	73.97
Aggregate number of Dorsett Shares held by the Offeror and the Offeror Concert Parties	1,564,017,741	74.45	2,100,626,650	100.00
Independent Dorsett Shareholders	536,608,909	25.55	—	—
	2,100,626,650	100.00	2,100,626,650	100.00
Total number of Scheme Shares (Note 12)	546,747,000	26.03	—	—

Notes:

- Dorsett Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- The Offeror is wholly-owned by FEC, which is acting in concert with the Offeror. Dorsett Shares held by FEC will not form part of the Scheme Shares and will not be cancelled.
- Tan Sri Dato' CHIU David, who is an executive director of FEC, a director of the Offeror and a non-executive director of Dorsett, is acting in concert with the Offeror.
- Ms. NG Nancy is the spouse of Tan Sri Dato' CHIU David and is acting in concert with the Offeror.
- Mr. CHIU Dennis, who is brother of Tan Sri Dato' CHIU David and an executive director of FEC, is acting in concert with the Offeror. 58,158 Dorsett Shares are held by a holding company which is controlled by Mr. CHIU Dennis and Mr. CHIU Daniel. The 58,158 Dorsett Shares are split in equal amount under Mr. CHIU Dennis and Mr. CHIU Daniel in the above table.
- Mr. CHIU Daniel, who is brother of Tan Sri Dato' CHIU David, is acting in concert with the Offeror. 58,158 Dorsett Shares are held by a holding company which is controlled by Mr. CHIU Dennis and Mr. CHIU Daniel. The 58,158 Dorsett Shares are split in equal amount under Mr. CHIU Dennis and Mr. CHIU Daniel in the above table.
- Mr. HOONG Cheong Thard, who is an executive director of FEC, a director of the Offeror and a non-executive director of Dorsett, is acting in concert with the Offeror but is not acting in concert with the Chiu's family in relation to the control of FEC. As at the Latest Practicable Date, Mr. HOONG Cheong Thard is also interested in 2,269,091 Dorsett Options, of which 1,701,816 are vested.
- Mr. CHAN Chi Hing, who is an executive director of FEC, a director of the Offeror and a non-executive director of Dorsett, is acting in concert with the Offeror but is not acting in concert with the Chiu's family in relation to the control of FEC. As at the Latest Practicable Date, Mr. CHAN Chi Hing is also interested in 2,836,364 Dorsett Options, of which 2,127,270 are vested.

9. Ms. CHIU Wing Kwan Winnie, who is daughter of Tan Sri Dato' CHIU David and an executive director of Dorsett, is acting in concert with the Offeror. As at the Latest Practicable Date, Ms. CHIU Wing Kwan Winnie is also interested in 1,818,182 Dorsett Options, of which 1,363,635 are vested.
10. Ms. CHIU Margaret, who is sister of Tan Sri Dato' CHIU David, is acting in concert with the Offeror.
11. Mr. CHIU Deacon Te Ken, who is father of Tan Sri Dato' CHIU David, passed away on 17 March 2015 and his interests in Dorsett Shares forms part of his estate.
12. The total number of Dorsett Shares (assuming that no Dorsett Options are exercised before the Latest Option Exercise Date and there is no other change in shareholding of Dorsett before completion of the Proposal) minus the aggregate number of Dorsett Shares held by the Offeror and FEC equals the total number of Scheme Shares (on the same assumptions).
13. Under the Scheme, the issued share capital of Dorsett will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that no Dorsett Options are exercised before the Latest Option Exercise Date and the assumption that there is no other change in shareholding of Dorsett before completion of the Proposal, forthwith upon such reduction, the issued share capital of Dorsett will be increased to its former amount by the issue at par to the Offeror, credited as fully paid, of the same number of Dorsett Shares as the number of the Scheme Shares cancelled. The reserve created in Dorsett's books of account as a result of the capital reduction will be applied in paying up in full at par the new Dorsett Shares so issued to the Offeror.
14. The decrease in the aggregate number of Dorsett Shares held by the Offeror Concert Parties of 1,564,017,741 as at the Latest Practicable Date to 1,553,879,650 immediately upon completion of the Proposal is a result of the fact that the Dorsett Shares held by the Offeror Concert Parties other than FEC (amounting to 10,138,091 Dorsett Shares as at the Latest Practicable Date) will form part of the Scheme Shares. As disclosed in the Announcement, the Dorsett Shares held by the Offeror Concert Parties other than FEC will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Such Offeror Concert Parties will abstain from voting on the Scheme at the Court Meeting.
15. All percentages in the above table are approximations.

Following the Effective Date and the withdrawal of listing of Dorsett Shares on the Stock Exchange, FEC will beneficially hold 100% of the issued share capital of Dorsett on the assumption that no outstanding Dorsett Options are exercised before the Latest Option Exercise Date and there is no other change in shareholding in Dorsett before completion of the Proposal.

As at the Latest Practicable Date, there are 2,100,626,650 Dorsett Shares in issue and the Scheme Shareholders are interested in 546,747,000 Dorsett Shares, representing approximately 26.03% of the issued share capital of Dorsett.

As at the Latest Practicable Date, FEC held 1,553,879,650 Dorsett Shares representing approximately 73.97% of the issued share capital of Dorsett. Such Dorsett Shares will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting. As at the Latest Practicable Date, the Offeror Concert Parties held in aggregate 1,564,017,741 Dorsett Shares, representing approximately 74.45% of the issued share capital of Dorsett. Of these Offeror Concert Parties, Dorsett Shares held by FEC, the ultimate holding company of the Offeror, will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting. Dorsett Shares held by the

remaining Offeror Concert Parties will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Such Offeror Concert Parties will abstain from voting on the Scheme at the Court Meeting.

Save for 9,469,093 Dorsett Options, there were no options, warrants or convertible securities in respect of Dorsett Shares held by the Offeror or the Offeror Concert Parties or outstanding derivatives in respect of Dorsett Shares entered into by the Offeror or the Offeror Concert Parties as at the Latest Practicable Date, and save for 14,414,545 Dorsett Options, Dorsett did not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Dorsett Shares as at the Latest Practicable Date.

9. DORSETT OPTIONS AND THE RULE 13 OFFER

The Share Option Scheme

Dorsett adopted the Share Option Scheme on 10 September 2010 pursuant to which, among others, directors of Dorsett (including executive directors and independent non-executive directors) and its employees are eligible for the grant of Dorsett Options. As at the Latest Practicable Date, there were 14,414,545 Dorsett Options, which when exercised in full, will entitle their holders to subscribe for 14,414,545 Dorsett Shares. The Dorsett Options were granted on 11 October 2010 and the exercise price of each Dorsett Option is HK\$2.20.

The Rule 13 Offer

Pursuant to the Rule 13 Offer made by the Offeror, the Dorsett Option Offer Price is offered for each vested and unvested outstanding Dorsett Option held as at the Rule 13 Offer Record Date in consideration for the cancellation of all rights and obligations under the Dorsett Options and the immediate cancellation of the Dorsett Options.

The Dorsett Options Offer Price of HK\$0.01 represents the “see through” price of the outstanding Dorsett Option, being the higher of (i) the amount by which the value of the Cancellation Consideration, calculated by reference to the closing price of the FEC Shares on the Last Trading Day, exceeds the exercise price of Dorsett Options of HK\$2.20; and (ii) HK\$0.01.

As the exercise price applicable to each Dorsett Option is HK\$2.20 and is higher than the value of the Cancellation Consideration of HK\$1.80 (based on aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), the Offeror offers the holders of Dorsett Options the Dorsett Options Offer Price, which is a nominal value of HK\$0.01 in accordance with the “see-through” principle of Rule 13 of the Takeovers Code, for each Dorsett Option that they hold.

The Rule 13 Offer is conditional upon the Scheme becoming effective and binding.

Dorsett Options exercised prior to the Meeting Record Date

In the event that any outstanding Dorsett Option is vested and exercised prior to the Meeting Record Date, the relevant registered holder of the Dorsett Share issued upon conversion of the relevant Dorsett Option (other than the Offeror Concert Parties) shall be entitled to attend and vote at the Court Meeting and/or the Extraordinary General Meeting (as the case may be) in respect of the relevant Dorsett Share. In the event that any outstanding Dorsett Option is vested and exercised prior to the Latest Option Exercise Date, the relevant holder of the Dorsett Share issued upon conversion of the relevant Dorsett Option shall be subject to and eligible for the Scheme.

Dorsett Options not exercised prior to the Meeting Record Date and/or the Latest Option Exercise Date

Any holder of outstanding Dorsett Options whose Dorsett Options remain unvested or whose Dorsett Options have vested but have not been exercised as at the Meeting Record Date and/or the Latest Option Exercise Date (as the case may be), will not be entitled to attend and vote at the Court Meeting and the Extraordinary General Meeting in respect of such Dorsett Options, and will not be eligible to participate in the Scheme but will still be eligible to participate in the Rule 13 Offer in respect of such Dorsett Options, respectively.

Payment of Dorsett Options Offer Price

Each holder of outstanding Dorsett Options as at the Rule 13 Offer Record Date who accepts the Rule 13 Offer and lodges a completed Form of Acceptance by the prescribed deadline will be entitled to receive the Dorsett Option Offer Price as set out in their respective Rule 13 Offer Letters that are sent to each holder of Dorsett Options individually. The Dorsett Option Offer Price of HK\$0.01 represents the “see-through” price of that Dorsett Option, being the higher of (i) the amount by which the value of the Cancellation Consideration, calculated by reference to the closing price of the FEC Shares on the Last Trading Day, exceeds the exercise price of Dorsett Options; and (ii) HK\$0.01.

The cheques for payment of the Dorsett Option Offer Price under the Rule 13 Offer will be dispatched within seven Business Days following the later of the date that the Rule 13 Offer becomes unconditional and the date of receipt of a valid acceptance. Please refer to the expected timetable as set out in Part III of this Scheme Document for details.

All payments in respect of the Dorsett Option Offer Price will be made in Hong Kong dollars. Settlement of the Dorsett Option Offer Price to which holders of Dorsett Options are entitled under the Rule 13 Offer will be implemented in full in accordance with the terms of the Rule 13 Offer, without regard to any lien, right of set-off, counterclaim or other analogous right which the Offeror may otherwise be, or claim to be, entitled against any such holder of Dorsett Options.

Rule 13 Offer Letter

The Rule 13 Offer Letter setting out the terms and conditions of the Rule 13 Offer is being dispatched separately to holders of Dorsett Options and is substantially in the form set out in Appendix XI — Form of Rule 13 Offer in accordance with the terms and conditions of the Rule 13 Offer Letter to this Scheme Document.

Lapse of Dorsett Options

Any outstanding Dorsett Options granted under the Share Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Rule 13 Offer in accordance with the terms and conditions of the Rule 13 Offer will lapse automatically fourteen (14) days after the Effective Date.

10. TOTAL CONSIDERATION

On the assumption that no outstanding Dorsett Options are exercised before the Latest Option Exercise Date, the amount of cash required to implement the Scheme (before taking into account the Rule 13 Offer) would be approximately HK\$394 million. On the assumption that all Dorsett Options are vested and exercised in full before the Latest Option Exercise Date, the amount of cash required for the Scheme would be approximately HK\$404 million.

On the assumption that no outstanding Dorsett Options are exercised before the Latest Option Exercise Date, the amount of cash required to implement the Rule 13 Offer would be approximately HK\$0.14 million.

The Offeror intends to finance the cash required for the Scheme and the Rule 13 Offer from internal financial resources.

Investec, the financial adviser to the Offeror in connection with the Scheme, the Proposal and the Rule 13 Offer, is satisfied that sufficient financial resources are available to the Offeror for the payment in full of the cash consideration payable under the Scheme and the Rule 13 Offer in accordance with their respective terms.

11. REASONS FOR, AND BENEFITS OF, THE SCHEME AND THE PROPOSAL**For Dorsett**

In the past two years, the share price of Dorsett has traded at a level below the original listing price, with a relatively low level of liquidity. Dorsett has not raised any external equity funding since its listing and the directors of FEC believe that the share price has not reflected the value and fundamentals of Dorsett. The successful implementation of the Proposal would provide the Independent Dorsett Shareholders the opportunity to exit their shareholdings at a consideration that represents a considerable premium to the traded market price of Dorsett. Through the share exchange mechanism under the Proposal, the Independent Dorsett Shareholders shall retain an equity exposure to and participate in the ownership in FEC, which has a broader business portfolio including, upon successful implementation of the Proposal, the wholly-owned interest in Dorsett.

For the Scheme Shareholders

Based on the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Cancellation Consideration is equivalent to HK\$1.80 (being the aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), which represents a premium of approximately 32.4% over the closing price of Dorsett Shares of HK\$1.36 as quoted by the Stock Exchange on the Last Trading Day. The Cancellation Consideration has been determined on a commercial basis after taking into account the prices of Dorsett Shares traded on the Stock Exchange, the unaudited consolidated net asset value per Dorsett Share and with reference to other privatisation transactions in Hong Kong in recent years.

Dorsett Shareholders should note that this Scheme Document contains property valuation reports from independent property valuers pursuant to Rule 11 of the Takeovers Code providing updated valuations of the properties of the Dorsett Group and the FEC Group as at a date not more than three months prior to the date of the Scheme Document.

During the six-month period ended on and including the Last Trading Day, the lowest and highest closing prices per Dorsett Share on the Stock Exchange were HK\$1.21 and HK\$1.51 respectively, with a simple average closing price of approximately HK\$1.29.

Over the one-year period ended on and including the Last Trading Day, liquidity in Dorsett Shares was limited to an average daily turnover of approximately HK\$1.6 million or approximately 1.1 million Dorsett Shares on the Stock Exchange. Such average daily turnover in number of Dorsett Shares represented only approximately 0.2% of the number of Scheme Shares.

Based on the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Cancellation Consideration is equivalent to HK\$1.80 (being the aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), which represents a substantial premium of approximately 39.5% over the simple average closing price per Dorsett Share during the six-month period ended on and including the Last Trading Day.

Over the one-year period ended on and including the Last Trading Day, liquidity in FEC Shares represented an average daily turnover of approximately HK\$4.2 million or approximately 1.4 million FEC Shares on the Stock Exchange.

Since the Offeror and its ultimate holding company FEC already own, on an aggregated basis, approximately 73.97% of the issued share capital of Dorsett as at the Announcement Date, the Offeror and FEC believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares unless such offer is agreed to by the Offeror and FEC.

In addition, Dorsett Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the

Dorsett Shares held by the Offeror and FEC. The Offeror and FEC intend to continue the existing business of Dorsett in the near term upon successful implementation of the Proposal. The Offeror and FEC have no intention to make any material changes to the existing operation, personnel and management structure of Dorsett Group after implementation of the Proposal. However, it will continue to assess business opportunities as they arise.

FEC accordingly considers that the Proposal provides an opportunity for the holders of the Scheme Shares to dispose of their Dorsett Shares and receive payments at a price significantly above the prevailing market price and gain exposure to the entire diversified business portfolio of FEC, while retaining the exposure in the hotel business of Dorsett which will be wholly owned by FEC following the implementation of the Proposal. In light of the low liquidity of Dorsett Shares, it is difficult for the holders of the Scheme Shares to realise their Scheme Shares in the stock market without adversely affecting the market price of Dorsett Shares. The Offeror considers that the Proposal also affords the holders of the Scheme Shares with the opportunity to realise their investments in Dorsett in cash and shares of FEC which have historically enjoyed better liquidity as referred to above, and if they so wish, invest the monies received under the Scheme in alternative investments with higher liquidity than Dorsett Shares or use them for other purposes.

For FEC and FEC's shareholders

FEC is currently the controlling shareholder of Dorsett. The Board of FEC believes that the Proposal should enhance value for shareholders through the elimination of the holding company discount in connection with the existing tiered shareholding structure as Dorsett would become a wholly-owned subsidiary of FEC following the successful implementation of the Proposal. In addition, the combined group would be in a better position to exploit the potential business opportunities that are currently restricted by or subject to the mutual non-competitive undertakings and the connected transactions relationships established at the time of Dorsett's listing. There will also be cost savings achievable through the elimination of certain overlapped corporate functions. In addition, FEC would be able to utilise the combined liquidity resources of the enlarged group more effectively for the benefit of all shareholders of FEC. Successful implementation of the Proposal would also broaden the shareholder base of FEC and is expected to add trading liquidity to its shares.

The Board of FEC accordingly considers that the Proposal would be in the interests of FEC and its shareholders as it will simplify the group structure and create more flexibility to manage Dorsett's business in a more efficient manner.

12. INFORMATION ON DORSETT

Dorsett is a public limited company incorporated as an exempted company with limited liability in the Cayman Islands. The shares of Dorsett have been listed on the Main Board of the Stock Exchange since 11 October 2010 with the stock code 2266.

The principal business activities of the Dorsett Group comprise hotel development, ownership and operation. The Dorsett Group's hotel portfolio comprises 20 owned operating hotels in Hong Kong, Malaysia, the PRC, Singapore and the United Kingdom as at the Latest Practicable Date. Excluding Dorsett Grand Zhuji (for which the Dorsett Group has signed a framework agreement to dispose its full 25% interest in this hotel to its joint venture partner), the Dorsett Group also has four owned hotels under development as at the Latest Practicable Date.

13. INFORMATION ON THE OFFEROR AND FEC

The Offeror is a wholly-owned subsidiary of FEC and is incorporated in the British Virgin Islands with limited liability on 8 May 2015.

FEC is the ultimate holding company of Dorsett. Its predecessor was a Hong Kong company incorporated on 18 August 1972 under the name of Far East Consortium Limited and was listed on the Stock Exchange in September 1972 (with the stock code: 35) by a public offering of 5.5 million shares. FEC was subsequently re-domiciled from Hong Kong to Cayman Islands on 3 April 1990.

The principal activities of the FEC Group comprise property development and investment, hotel operations and management, car park operations and facilities management and treasury management, with operations in Hong Kong, the PRC, Australia, Malaysia, Singapore, the United Kingdom and New Zealand.

As mentioned in FEC's annual report for the year ended 31 March 2015, FEC has a pipeline of residential projects which are located in Hong Kong, the PRC, Australia, Malaysia and the United Kingdom.

FEC has also currently announced the planned mixed-use development in Melbourne and Perth that will include a possible hotel component. In late 2014, FEC signed a consortium bid agreement with Chow Tai Fook Enterprises Limited and Echo Entertainment Group Limited to bid for the development of an entertainment precinct and integrated resort as well as residential development in Brisbane with approximately 9.4 hectares of site area. As announced by FEC on 21 July 2015, the consortium has been selected as the preferred proponent for the project.

Immediately upon successful implementation of the Proposal, the Offeror's asset will comprise primarily the Scheme Shares. It is not expected that the implementation of the Proposal will have any material effect on the emoluments of the directors of the Offeror and FEC.

As at the Latest Practicable Date, given Dorsett was a non-wholly owned subsidiary of FEC, the assets, liabilities and profits of the Dorsett Group was consolidated into the consolidated financial statements of FEC with a non-controlling interest attributable to the minority Dorsett Shareholders (the "**Non-controlling Interest Portion**"). Upon the successful implementation of the Proposal, Dorsett will become a wholly owned subsidiary of FEC. On this basis, Dorsett will continue to be accounted for as a subsidiary of FEC whereby the assets, liabilities and profits of the Dorsett Group shall be consolidated into the consolidated financial statements of FEC but without the Non-controlling Interest Portion.

14. INTENTIONS OF THE OFFEROR AND FEC

The Offeror and FEC intend to continue the existing business of Dorsett in the near term upon successful implementation of the Proposal. The Offeror and FEC have no intention to make any material changes to the existing operation, personnel and management structure of the Dorsett Group after implementation of the Proposal. However, the Offeror and FEC will continue to assess business opportunities as they arise.

15. WITHDRAWAL OF LISTING OF DORSETT SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

Dorsett will apply to the Stock Exchange for the withdrawal of the listing of Dorsett Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, immediately following the Effective Date. A detailed timetable for the implementation of the Proposal has been included in Part III — Expected Timetable of this Scheme Document.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in Dorsett Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Dorsett Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme has been included in Part III — Expected Timetable of this Scheme Document, and further details of the Scheme can be found in Appendix VIII to this Scheme Document.

16. DORSETT BONDS

It is the intention of FEC and Dorsett to retain the listing of Dorsett Bonds and Dorsett shall continue to comply with all provisions under Chapter 37 of the Listing Rules governing the issue of debt securities. The successful implementation of the Proposal will not result in any alteration of the terms and obligations (including redemption) of Dorsett Bonds.

The terms and conditions of Dorsett Bonds do not prohibit the implementation of the Scheme or require the Scheme to be approved by the holders of Dorsett Bonds. The Scheme does not trigger an obligation on Dorsett to repurchase Dorsett Bonds. Should the Scheme become effective, the listing of Dorsett Bonds on the Stock Exchange will be maintained and Dorsett will continue to be subject to its obligations under Dorsett Bonds.

The holders of Dorsett Bonds are reminded to refer to the terms and conditions of Dorsett Bonds for their rights or actions to be taken in relation to the Scheme. If the holders of Dorsett Bonds are in any doubt as to any aspect of the Scheme or as to their rights or actions to be taken, they should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

17. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of Dorsett Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for Dorsett, except with the consent of the Executive and all expenses incurred by Dorsett in connection therewith shall be borne by FEC and the Offeror.

18. OVERSEAS DORSETT SHAREHOLDERS AND OVERSEAS HOLDERS OF DORSETT OPTIONS

The making of (i) the Proposal to the Scheme Shareholders; and (ii) the Rule 13 Offer to the holders of outstanding Dorsett Options, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders or holders of outstanding Dorsett Options respectively are located. Such Scheme Shareholders and such holders of Dorsett Options should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas holders of outstanding Dorsett Options wishing to take any action in relation to the Scheme, the Proposal and the Rule 13 Offer, respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such Scheme Shareholders and holders of outstanding Dorsett Options will be deemed to constitute a representation and warranty from such persons to FEC, the Offeror, Dorsett and their respective advisers, including Investec, the financial adviser to the Offeror, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the dispatch of the Scheme Document to overseas Dorsett Shareholders or overseas holders of outstanding Dorsett Options is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of Dorsett regard as unduly onerous or burdensome (or otherwise not in the best interests of Dorsett or Dorsett Shareholders), subject to a waiver being granted by the Executive as described below, the Scheme Document will not be dispatched to such overseas Dorsett Shareholders or such overseas holders of Dorsett Options. For that purpose, Dorsett will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such

waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to dispatch the Scheme Document to such overseas Dorsett Shareholders or such overseas holders of Dorsett Options. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such overseas Dorsett Shareholders and overseas holders of Dorsett Options, as the case may be.

As at the Latest Practicable Date, there are no overseas Dorsett Shareholders or overseas holders of outstanding Dorsett Options. In the event there are overseas Dorsett Shareholders as at the Scheme Record Date or overseas holders of outstanding Dorsett Options as at the Rule 13 Offer Record Date, Dorsett will apply for the above-mentioned waivers as required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code.

Scheme Shareholders and holders of outstanding Dorsett Options are recommended to consult their own professional advisers if they are in any doubt as to their respective positions.

19. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on 6 October 2015, it is proposed that the register of members of Dorsett will be closed from 2 October 2015 (or such other date as Dorsett Shareholders may be notified by way of an announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Dorsett Shareholders should ensure that the transfers of their Dorsett Shares are lodged with the Hong Kong branch share registrar of Dorsett for registration in their names or in the names of their nominees before 4:30 p.m. on 30 September 2015. The Hong Kong branch share registrar of Dorsett is Tricor Investor Services Limited, which is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Payment of the Cancellation Consideration to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Consideration for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of Dorsett as at the Scheme Record Date. On the basis that the Scheme becomes effective on or about 6 October 2015 (Cayman Islands time), cheques for payment of the cash portion and certificates for the share portion of the Cancellation Consideration payable under the Scheme are expected to be dispatched on or before 15 October 2015. In the absence of any specific instructions to the contrary received in writing by Tricor Investor Services Limited, the Hong Kong branch share registrar of Dorsett, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, cheques and certificates for the FEC Consideration Shares will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of Dorsett in respect of the joint holding. All such cheques and certificates for the FEC Consideration Shares will be sent at the risk of the person(s) entitled thereto and none of FEC, the Offeror, Dorsett, Investec, Dorsett's Hong Kong branch share registrar or any of them will be responsible for any loss or delay in dispatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by Dorsett.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about 6 October 2015 (Cayman Islands time).

Settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Payment of Dorsett Option Offer Price to holders of Dorsett Options

On the basis that the latest time to accept the Rule 13 Offer and closing date of the Rule 13 Offer fall on 20 October 2015, cheques for payment of the Dorsett Option Offer Price payable under the Rule 13 Offer are expected to be dispatched on or before 30 October 2015. Cheques will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person(s) entitled thereto and none of FEC, the Offeror, Dorsett, Investec or any of them will be responsible for any loss or delay in dispatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheques which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by Dorsett.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Settlement of the consideration to which the holders of Dorsett Options are entitled under the Rule 13 Offer will be implemented in full in accordance with the terms of the Rule 13 Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such holders of Dorsett Options.

20. TAXATION

Hong Kong stamp duty and tax consequences

As the Scheme and the Proposal do not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Similarly, as the acceptance of the Rule 13 Offer and the payment of the cash consideration for the cancellation of the Dorsett Options does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance upon the acceptance of the Rule 13 Offer or the payment of the cash consideration under the Rule 13 Offer.

The Scheme Shareholders and the holders of outstanding Dorsett Options, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme, the Proposal or the Rule 13 Offer and, in particular, whether the receipt of the Cancellation Consideration or of cash consideration under the Rule 13 Offer would make such Scheme Shareholder or holder of outstanding Dorsett Options liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of FEC, the Offeror, Dorsett and Investec or any of their respective directors, officers or associates or any other person involved in the Scheme, the Proposal or the Rule 13 Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Rule 13 Offer.

21. COURT MEETING AND EXTRAORDINARY GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Independent Dorsett Shareholders whose names appear on the register of members of Dorsett as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Independent Dorsett Shareholders at the Court Meeting in the manner referred to in the sections headed “4. Conditions of the Scheme and the Proposal” and “6. Additional Requirements as Imposed by Rule 2.10 of the Takeovers Code” in Part VII — Explanatory Statement of this Scheme Document.

For the avoidance of doubt, the Independent Dorsett Shareholders who may vote at the Court Meeting include any member of the Investec group acting in its capacity as a Registered Owner of the Dorsett Shares held on behalf of a Beneficial Owner in respect of those shares only where the Beneficial Owner (i) controls the voting rights attaching to those Dorsett Shares; (ii) if the Dorsett Shares are voted, gives instructions as to how those Dorsett Shares are to be voted; and (iii) is not the Offeror and an Offeror Concert Party.

The Extraordinary General Meeting will be held after the Court Meeting for the purpose of considering and if thought fit passing (i) the special resolution to approve the reduction of the issued share capital of Dorsett by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of Dorsett to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of Dorsett Shares as the number of Scheme Shares cancelled, and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Dorsett Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror.

Court Meeting

Independent Dorsett Shareholders whose names appear on the register of members of Dorsett as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Independent Dorsett Shareholders, present and voting either in person or by proxy, will be entitled to vote all of their respective Dorsett Shares in favour of the Scheme or against it.

In accordance with the direction from the Grand Court, HKSCC Nominees Limited shall be permitted to vote both for and against the Scheme in accordance with instructions received by it from the Investor Participants and Other CCASS Participants for the purposes of ascertaining whether or not the requirement that a majority in number of the Dorsett Shareholders approve the Scheme under Section 86(2) of the Companies Law has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Cayman Islands Grand Court and may be taken into account in deciding whether or not the Cayman Islands Grand Court should exercise its discretion to sanction the Scheme.

The Scheme is conditional upon, among other things, approval by a majority in number of the Independent Dorsett Shareholders representing not less than 75% in value of the Dorsett Shares present and voting in person or by proxy at the Court Meeting, provided that (i) the Scheme is approved (by way of poll) by the Independent Dorsett Shareholders holding at least 75% of the votes attaching to the Dorsett Shares held by the Independent Dorsett Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Dorsett Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Dorsett Shares held by all the Independent Dorsett Shareholders.

In accordance with the Companies Law, the “75% in value” requirement, as described above, will be met if the total value of Dorsett Shares being voted in favour of the Scheme is at least 75% of the total value of the Dorsett Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement, as described above, will be met if the number of Independent Dorsett Shareholders voting in favour of the Scheme exceeds the number of Independent Dorsett Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of Independent Dorsett Shareholders, present and voting in person or by proxy, will be counted.

Notice of the Court Meeting is set out in Appendix IX to this Scheme Document. The Court Meeting will be held at 2:30 p.m. (Hong Kong time) on 22 September 2015 at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong.

Extraordinary General Meeting

All Dorsett Shareholders whose names appear on the register of members of Dorsett as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Extraordinary General Meeting with respect to the special resolution to, among other things, (i) approve the reduction of the share capital of Dorsett by cancelling and extinguishing the Scheme Shares; and (ii) immediately thereafter by ordinary resolution to restore the issued share capital of Dorsett to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of Dorsett Shares as the number of Scheme Shares cancelled, and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Dorsett Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror.

The special resolution described in the paragraph above will be passed if not less than three-fourths of the votes cast by the Dorsett Shareholders, present and voting in person or by proxy at the Extraordinary General Meeting, are in favour of the special resolution.

At the Extraordinary General Meeting, a poll will be taken and each Dorsett Shareholder present and voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the resolutions. Alternatively, such Dorsett Shareholder may vote some of their Dorsett Shares in favour of the resolutions and any or all of the balance of their Dorsett Shares against the resolutions (and vice versa).

Each of the Offeror and FEC has indicated that those Dorsett Shares held by each of them will be voted in favour of the resolutions to be proposed at the Extraordinary General Meeting.

At the Extraordinary General Meeting, the resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Notice of the Extraordinary General Meeting is set out in Appendix X to this Scheme Document. The Extraordinary General Meeting will be held at 4:00 p.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting convened for the same day and place) on 22 September 2015 at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before 6 October 2015 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the Extraordinary General Meeting and, whether all the resolutions are passed at those meetings; (ii) the result of the hearing of the petition for the sanction of the Scheme by the Grand Court; (iii) the Scheme Record Date; (iv) the Effective Date; and (v) the date of withdrawal of the listing of Dorsett Shares on the Stock Exchange as further set out in Part III — Expected Timetable of this Scheme Document.

22. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the register of members of Dorsett as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become Dorsett Shareholders so that they can attend the Court Meeting in the capacity as members of Dorsett or be represented by proxies to be appointed by them;
- (b) to enable Dorsett to properly classify members of Dorsett as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and
- (c) to enable Dorsett and the Offeror to make arrangements to effect payments by way of the delivery of cheques and share certificates to the most appropriate person when the Scheme becomes effective.

No person shall be recognised by Dorsett as holding any Dorsett Shares upon any trust. In the case of any Beneficial Owner whose Dorsett Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which Dorsett Shares of the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Dorsett Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Dorsett Shares with, an Other CCASS Participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or other relevant person in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which Dorsett Shares of the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Dorsett Shares shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

23. ARRANGEMENTS RELATING TO THE SALE OF ODD LOTS OF FEC CONSIDERATION SHARES

In order to assist Scheme Shareholders to sell their odd lots of the FEC Consideration Shares received under the Scheme if they so wish, Fulbright Securities Limited (the "Odd Lot Trader") has been appointed to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of the FEC Consideration Shares (the "Matching Service") during the period of 60 days commencing from (and including) the Effective Date to Monday, 7 December 2015, both days inclusive (the "Matching Period").

In the event of successful matching, no brokerage will be charged by the Odd Lot Trader for the odd lots of the FEC Consideration Shares sold as FEC has agreed to absorb this cost as part of the appointment of the Odd Lot Trader. The opening of trading accounts with the Odd Lot Trader for the purpose of the Matching Service is subject to satisfactory completion of requisite account opening procedures.

Any Scheme Shareholder wishing to make use of the Matching Service may contact the following persons during the Matching Period:

Fulbright Securities Limited
33/F, Cosco Tower,
Grand Millennium Plaza,
183 Queen's Road Central,
Hong Kong
Attention: YU Kam Tong Nick
Telephone: 3108 8687

Scheme Shareholders who have brokerage accounts and who wish to sell their odd lots of the FEC Consideration Shares received under the Scheme may also approach and inform their brokers that the Odd Lot Trader will, on a best efforts basis during the Matching Period, provide liquidity for odd lots of the FEC Consideration Shares. Scheme Shareholders selling odd lots of the FEC Consideration Shares through their brokers to the Odd Lot Trader will be responsible for all fees (if any) payable to their brokers, but no additional brokerage will be payable by them to the Odd Lot Trader.

Scheme Shareholders should note that the successful matching of odd lots of the FEC Consideration Shares and the provision of liquidity referred to above is not guaranteed. Scheme Shareholders are advised to consult their own professional advisers if they are in doubt about any of these arrangements.

24. GENERAL

Investec has been appointed as the financial adviser to FEC and the Offeror in connection with the Proposal and the Rule 13 Offer.

Tan Sri Dato' CHIU David, Mr. HOONG Cheong Thard, Mr. CHAN Chi Hing, Ms. CHIU Wing Kwan Winnie and Mr. LAI Wai Keung, being directors of Dorsett and who are interested in the Scheme, the Proposal and/or the Rule 13 Offer abstained from voting in respect of the board resolutions of Dorsett pursuant to the meeting held on 20 May 2015 in relation to the Scheme, the Proposal and the Rule 13 Offer.

The independent non-executive directors of Dorsett forming the Dorsett Independent Board Committee, namely Mr. SHEK Lai Him Abraham, G.B.S., J.P., Mr. TO Peter and Mr. ANGELINI Giovanni, have provided their recommendation in the Letter from the Dorsett Independent Board Committee in Part V of this Scheme Document.

FEC and the Offeror are collectively responsible to pay all costs, charges and expenses of the advisers and counsels appointed by Dorsett as well as all other costs, charges and expenses incurred in relation to the Scheme and the Proposal.

As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any Offeror Concert Parties and any other person.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Scheme and the Proposal.

As at the Latest Practicable Date, save as disclosed in Appendix V — General Information Relating to the Offeror to this Scheme Document, there were no Dorsett Shares, FEC Shares, shares of the Offeror, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares, FEC Shares or shares of the Offeror which the Offeror and the Offeror Concert Parties have borrowed or lent, save for borrowed securities (if any) which have been either on-lent or sold by the Offeror Concert Parties.

As at the Latest Practicable Date, no person who owned or controlled Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares had irrevocably committed themselves to the Offeror or FEC to vote their Dorsett Shares in favour of or against the resolutions in respect of the Scheme at the Court Meeting or the Extraordinary General Meeting. FEC and the Offeror have indicated that those Dorsett Shares held by them will be voted in favour of the resolutions to be proposed at the Extraordinary General Meeting.

Associates of FEC, the Offeror or Dorsett (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of FEC, the Offeror or Dorsett) are hereby reminded to disclose their dealings in any securities of Dorsett under Rule 22 of the Takeovers Code.

25. SUMMARY OF ACTIONS TO BE TAKEN

Independent Dorsett Shareholders and Dorsett Shareholders

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with copies of this Scheme Document sent to Registered Owners of Dorsett Shares.

Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting, the Independent Dorsett Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and Dorsett Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Hong Kong branch share registrar of Dorsett, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 2:30 p.m. (Hong Kong time) on 20 September 2015, and the white form of proxy for use at the Extraordinary General Meeting should be lodged not later than 4:00 p.m. (Hong Kong time) on 20 September 2015 or in each case not less than 48 hours before the time appointed for holding an adjourned meeting. The completion and return of a form of proxy for the Court Meeting or the Extraordinary General Meeting will not preclude the Independent Dorsett Shareholders and Dorsett Shareholders from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

In the case of any Beneficial Owner whose Dorsett Shares are held by a Registered Owner (including a nominee, trustee, depository or authorised custodian or third party), such Beneficial Owner should contact the Registered Owner and provide instructions as to the manner in which Dorsett Shares of the Beneficial Owner should be voted at the Court Meeting and/or Extraordinary General Meeting. Such instructions, subject to the express requirements of the Registered Owner, should be given in advance of the relevant latest time for the lodgement of proxies in respect of the Court Meeting and Extraordinary General Meeting.

If any Independent Dorsett Shareholder or Dorsett Shareholder does not appoint a proxy and that Independent Dorsett Shareholder or Dorsett Shareholder does not attend and vote at the Court Meeting and/or Extraordinary General Meeting, that Independent Dorsett Shareholder or Dorsett Shareholder will still be bound by the outcome of such Court Meeting and/or Extraordinary General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the Extraordinary General Meeting.

Independent Dorsett Shareholders and Dorsett Shareholders are therefore strongly urged to attend and vote at the Court Meeting and/or the Extraordinary General Meeting in person or by proxy.

For the purpose of determining the entitlements of the Independent Dorsett Shareholders to attend and vote at the Court Meeting and Dorsett Shareholders to attend and vote at the Extraordinary General Meeting, the register of members of Dorsett will be closed from 16 September 2015 to 22 September 2015 (both days inclusive) and during such period, no transfer of Dorsett Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Hong Kong branch share registrar of Dorsett at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 15 September 2015.

Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the Extraordinary General Meeting and, whether all the resolutions are passed at those meetings; (ii) the result of the hearing of the petition for the sanction of the Scheme by the Grand Court; (iii) the Scheme Record Date; (iv) the Effective Date; and (v) the date of withdrawal of the listing of Dorsett Shares on the Stock Exchange as further set out in Part III — Expected Timetable of this Scheme Document.

Petition hearing in the Grand Court

Prior to the dispatch of this Scheme Document, Dorsett obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme.

In accordance with sections 14, 15 and 86 of the Companies Law, if the Resolutions are approved at the Court Meeting and the Extraordinary General Meeting, Dorsett must then make a further application to the Grand Court to confirm the resolution reducing the share capital of Dorsett and to sanction the Scheme. Dorsett and the Offeror cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, Dorsett has filed a petition with the Grand Court seeking these approvals which will be heard on 2 October 2015 (Cayman Islands time).

In determining whether to exercise its discretion and sanction the Scheme, the Grand Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Scheme Shareholders.

If the Grand Court sanctions the Scheme and if all of the other conditions to the Scheme are satisfied or (to the extent allowed by law) waived, Dorsett intends to file the Court Order sanctioning the Scheme with the Cayman Islands Registrar of Companies on 6 October 2015 or as otherwise directed by the Grand Court, at which time the order sanctioning the Scheme will become effective.

INDEPENDENT DORSETT SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH DORSETT SHARES THAT GIVE VOTING

INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY WILL BE ENTITLED TO APPEAR AT THE GRAND COURT HEARING EXPECTED TO BE ON 2 OCTOBER 2015 AT WHICH DORSETT WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

Holders of Dorsett Options

The Rule 13 Offer Letter is being sent to each holder of Dorsett Options separately. Holders of Dorsett Options should refer to those letters, the form of which is set out in Appendix XI to this Scheme Document. Any holder of outstanding Dorsett Options as at the Rule 13 Offer Record Date who wishes to accept the Rule 13 Offer must complete and return the duly completed and executed Form of Acceptance by 4:00 p.m. on 20 October 2015 (or such later date and time as may be notified to the holders of Dorsett Options by FEC, the Offeror or Investec), to the Offeror, care of FEC at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, for the attention of the Board of the Offeror and marked "Dorsett Hospitality International Limited — Rule 13 Offer". No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

The holders of Dorsett Options should also note the instructions and other terms and conditions of the Rule 13 Offer printed on the Rule 13 Offer Letter and the Form of Acceptance.

26. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the section headed "7. Recommendations" in the "Letter from the Dorsett Board" set out in Part IV of this Scheme Document;
- (b) the Letter from the Dorsett Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the Letter from the Dorsett Independent Financial Adviser set out in Part VI of this Scheme Document.

27. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

Dorsett Shareholders should rely only on the information contained in this Scheme Document. None of Dorsett, the Offeror, FEC, Investec or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

I. FINANCIAL SUMMARY

The following summary of financial information for each of the three financial years ended 31 March 2013, 2014 and 2015 is extracted from the respective published audited consolidated financial statements of the Dorsett Group as set forth in the annual report for the years ended 31 March 2013, 2014 and 2015 on pages 84 to 137, pages 88 to 143 and pages 92 to 153, respectively.

The auditors of Dorsett did not issue any qualified opinion on the financial statements of the Dorsett Group for each of the three years ended 31 March 2013, 2014 and 2015. There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Dorsett Group for each of the three years ended 31 March 2013, 2014 and 2015.

In this appendix, references to “the Company” and “the Group” shall mean Dorsett and the Dorsett Group respectively.

Consolidated Statement of Profit or Loss*For the year ended 31 March 2015*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	1,454,027	1,785,850	1,152,942
Cost of properties sold	–	(350,911)	–
Operating costs	(503,044)	(438,769)	(364,672)
Depreciation and amortisation	<u>(259,850)</u>	<u>(196,474)</u>	<u>(137,879)</u>
Gross profit	691,133	799,696	650,391
Other income	18,494	4,088	5,811
Gain on disposal of a subsidiary	–	–	458,358
Administrative expenses	(402,608)	(348,410)	(294,267)
Pre-opening expenses	(14,080)	(13,596)	(26,107)
Other gains and losses	21,456	140,174	(1,858)
Finance costs	<u>(164,481)</u>	<u>(167,261)</u>	<u>(100,005)</u>
Profit before tax	149,914	414,691	692,323
Income tax expense	<u>(55,562)</u>	<u>(38,123)</u>	<u>(44,867)</u>
Profit for the year	<u>94,352</u>	<u>376,568</u>	<u>647,456</u>
Earnings per share			
– Basic (HK cents)	<u>4.50</u>	<u>18.52</u>	<u>32.37</u>
– Diluted (HK cents)	<u>4.50</u>	<u>18.52</u>	<u>32.37</u>

Consolidated Statement of Financial Position*As at 31 March 2015*

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	6,545,503	6,384,555	5,652,677
Prepaid lease payments	536,962	574,164	589,330
Investment properties	651,014	600,996	412,500
Deposits for acquisition of property, plant and equipment	130,385	391,826	133,864
Interest in an associate	55,902	76,533	76,533
Utility and other deposits paid	13,523	15,125	11,755
Derivative financial instruments	–	20,062	–
Pledged deposits	2,564	2,831	2,897
Deferred tax assets	25,036	32,938	5,000
	<u>7,960,889</u>	<u>8,099,030</u>	<u>6,884,556</u>
Current assets			
Properties for sale			
Completed properties	6,756	7,379	–
Properties for/under development	18,468	21,030	353,141
Other inventories	8,936	9,159	8,396
Debtors, deposits and prepayments	233,061	242,713	120,624
Prepaid lease payments	14,326	14,755	14,841
Tax recoverable	14,039	5,957	6,926
Investment securities	643,761	514,264	28,554
Derivative financial instruments	1,268	–	–
Pledged deposits	261,559	165,080	137,132
Time deposit	–	–	12,500
Bank balances and cash	667,134	1,191,278	729,519
	<u>1,869,308</u>	<u>2,171,615</u>	<u>1,411,633</u>
Current liabilities			
Creditors and accruals	317,421	371,810	244,616
Secured bank borrowings	1,823,905	2,119,978	3,287,936
Sales deposit received	–	–	275,926
Derivative financial instruments	608	–	9,516
Tax payable	12,472	24,909	2,200
	<u>2,154,406</u>	<u>2,516,697</u>	<u>3,820,194</u>
Net current liabilities	<u>(285,098)</u>	<u>(345,082)</u>	<u>(2,408,561)</u>
Total assets less current liabilities	<u>7,675,791</u>	<u>7,753,948</u>	<u>4,475,995</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities			
Secured bank borrowings	2,649,696	2,496,907	582,692
Rental deposits received	8,798	9,032	7,756
Derivative financial instruments	58,939	–	–
Bonds	1,005,274	1,002,691	–
Deferred tax liabilities	124,473	102,890	99,724
	<u>3,847,180</u>	<u>3,611,520</u>	<u>690,172</u>
Net assets	<u><u>3,828,611</u></u>	<u><u>4,142,428</u></u>	<u><u>3,785,823</u></u>
Capital and Reserves			
Share capital	210,062	209,798	200,000
Share premium	2,393,807	2,390,307	2,237,153
Reserves	1,224,742	1,542,323	1,348,670
Total equity	<u><u>3,828,611</u></u>	<u><u>4,142,428</u></u>	<u><u>3,785,823</u></u>

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is financial information of the Dorsett Group as extracted from the published audited financial statements of the Dorsett Group for the year ended 31 March 2015.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	9	1,454,027	1,785,850
Cost of properties sold		–	(350,911)
Operating costs		(503,044)	(438,769)
Depreciation and amortisation		(259,850)	(196,474)
Gross profit		691,133	799,696
Other income		18,494	4,088
Administrative expenses		(402,608)	(348,410)
Pre-opening expenses	10	(14,080)	(13,596)
Other gains and losses	11	21,456	140,174
Finance costs	12	(164,481)	(167,261)
Profit before tax		149,914	414,691
Income tax expense	13	(55,562)	(38,123)
Profit for the year	14	94,352	376,568
Other comprehensive (expense) income for the year			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(186,936)	15,431
Fair value adjustments on cross currency swap contracts designated as cash flow hedges (note 27)		(79,001)	28,898
Reclassification from hedge reserve to profit or loss (note 27)		–	(27,329)
		(265,937)	17,000
Total comprehensive (expense) income for the year		(171,585)	393,568
Earnings per share	16		
– Basic (HK cents)		4.50	18.52
– Diluted (HK cents)		4.50	18.52

Consolidated Statement of Financial Position*As at 31 March 2015*

	NOTES	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	18	6,545,503	6,384,555
Prepaid lease payments	19	536,962	574,164
Investment properties	20	651,014	600,996
Deposits for acquisition of property, plant and equipment		130,385	391,826
Interest in an associate	21	55,902	76,533
Utility and other deposits paid		13,523	15,125
Derivative financial instruments	27	–	20,062
Pledged deposits	23	2,564	2,831
Deferred tax assets	31	25,036	32,938
		<u>7,960,889</u>	<u>8,099,030</u>
Current assets			
Properties for sale			
Completed properties	25	6,756	7,379
Properties for/under development	25	18,468	21,030
Other inventories		8,936	9,159
Debtors, deposits and prepayments	26	233,061	242,713
Prepaid lease payments	19	14,326	14,755
Tax recoverable		14,039	5,957
Investment securities	22	643,761	514,264
Derivative financial instruments	27	1,268	–
Pledged deposits	23	261,559	165,080
Bank balances and cash	23	667,134	1,191,278
		<u>1,869,308</u>	<u>2,171,615</u>
Current liabilities			
Creditors and accruals	28	317,421	371,810
Secured bank borrowings	29	1,823,905	2,119,978
Derivative financial instruments	27	608	–
Tax payable		12,472	24,909
		<u>2,154,406</u>	<u>2,516,697</u>
Net current liabilities		<u>(285,098)</u>	<u>(345,082)</u>
Total assets less current liabilities		<u>7,675,791</u>	<u>7,753,948</u>

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current liabilities			
Secured bank borrowings	29	2,649,696	2,496,907
Rental deposits received		8,798	9,032
Derivative financial instruments	27	58,939	–
Bonds	30	1,005,274	1,002,691
Deferred tax liabilities	31	124,473	102,890
		<u>3,847,180</u>	<u>3,611,520</u>
Net assets		<u>3,828,611</u>	<u>4,142,428</u>
Capital and Reserves			
Share capital	32	210,062	209,798
Share premium		2,393,807	2,390,307
Reserves		<u>1,224,742</u>	<u>1,542,323</u>
Total equity		<u>3,828,611</u>	<u>4,142,428</u>

Consolidated Statement of Changes in Equity*For the year ended 31 March 2015*

	Attributable to the shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Merger reserve	Share options reserve	Other reserve	Hedge reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note a)		(Note b)			
As at 1 April 2013	200,000	2,237,153	142,238	9,014	(201,048)	8,603	207,440	-	1,182,423	3,785,823
Profit for the year	-	-	-	-	-	-	-	-	376,568	376,568
Exchange differences arising on translation of foreign operations	-	-	15,431	-	-	-	-	-	-	15,431
Fair value adjustments on cross currency swap contracts designated as cash flow hedges (note 27)	-	-	-	-	-	-	-	28,898	-	28,898
Reclassification from hedge reserve to profit or loss (note 27)	-	-	-	-	-	-	-	(27,329)	-	(27,329)
Other comprehensive income for the year	-	-	15,431	-	-	-	-	1,569	-	17,000
Total comprehensive income for the year	-	-	15,431	-	-	-	-	1,569	376,568	393,568
Dividends (note 15)	-	-	-	-	-	-	-	-	(201,514)	(201,514)
Shares issued in lieu of cash dividends, net of expenses	9,798	153,154	-	-	-	-	-	-	-	162,952
Recognition of equity-settled share based payment expenses	-	-	-	-	-	1,599	-	-	-	1,599
Lapse of share options transferred to retained profits	-	-	-	-	-	(249)	-	-	249	-
As at 31 March 2014	209,798	2,390,307	157,669	9,014	(201,048)	9,953	207,440	1,569	1,357,726	4,142,428

	Attributable to the shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Merger reserve HK\$'000 (Note a)	Share options reserve HK\$'000	Other reserve HK\$'000 (Note b)	Hedge reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Profit for the year	-	-	-	-	-	-	-	-	94,352	94,352
Exchange differences arising on translation of foreign operations	-	-	(186,936)	-	-	-	-	-	-	(186,936)
Fair value adjustments on cross currency swap contracts designated as cash flow hedges (note 27)	-	-	-	-	-	-	-	(79,001)	-	(79,001)
Other comprehensive expense for the year	-	-	(186,936)	-	-	-	-	(79,001)	-	(265,937)
Total comprehensive (expense) income for the year	-	-	(186,936)	-	-	-	-	(79,001)	94,352	(171,585)
Dividends (note 15)	-	-	-	-	-	-	-	-	(146,892)	(146,892)
Shares issued in lieu of cash dividends, net of expenses	264	3,500	-	-	-	-	-	-	-	3,764
Recognition of equity-settled share based payment expenses	-	-	-	-	-	896	-	-	-	896
Lapse of share options transferred to retained profits	-	-	-	-	-	(1,978)	-	-	1,978	-
As at 31 March 2015	210,062	2,393,807	(29,267)	9,014	(201,048)	8,871	207,440	(77,432)	1,307,164	3,828,611

Notes:

- (a) Merger reserve represents the difference between the aggregate fair values and the carrying amounts of certain hotels acquired from the Parent Entities (as defined in note 1).
- (b) Other reserve represents fair value adjustment of business acquired from the Parent Entities and gain on disposal of a subsidiary to the Parent Entities deemed to be capital contributed by the Parent Entities.

Consolidated Statement of Cash Flows*For the year ended 31 March 2015*

	2015 HK\$'000	2014 HK\$'000
Operating activities		
Profit before tax	149,914	414,691
Adjustments for:		
Depreciation and amortisation	259,850	196,474
Fair value gain arising on transfers from completed properties for sale to investment properties	–	(130,870)
Change in fair value of investment properties	(65,747)	–
Change in fair value of derivative financial instruments	4,131	(676)
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss	–	(27,329)
Change in fair value of investment securities	14,879	18,242
Impairment loss on interest in an associate	20,631	–
Allowance for bad and doubtful debts	18	333
Loss on disposal of property, plant and equipment	794	233
Gain on partial repurchase of the bonds	–	(2,067)
Equity-settled share-based payment expenses	896	1,599
Interest income	(2,870)	(2,588)
Finance costs	164,481	167,261
	<hr/>	<hr/>
Operating cash flows before movements in working capital	546,977	635,303
Decrease in properties for sale	–	262,059
Decrease (increase) in other inventories	223	(763)
Increase in debtors, deposits and prepayments	(2,918)	(139,883)
Decrease (increase) in utility and other deposits paid	941	(3,370)
Increase in investment securities	(144,376)	(503,952)
Increase in derivative financial instruments	(4,791)	–
(Decrease) increase in creditors and accruals	(69,909)	126,062
(Decrease) increase in rental deposits received	(234)	1,276
Decrease in sales deposits received	–	(275,926)
	<hr/>	<hr/>
Cash generated from operations	325,913	100,806
Income tax paid	(47,658)	(39,217)
	<hr/>	<hr/>
Net cash from operating activities	278,255	61,589

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Investing activities		
Deposit paid for acquisition of hotel properties under development	–	(232,774)
Acquisition of property, plant and equipment	(119,791)	(87,196)
Acquisition of hotel properties	(88,238)	–
Development expenditure on hotel properties	(136,156)	(782,926)
Net proceeds from disposal of property, plant and equipment	545	250
Interest received	2,870	2,588
Placement of pledged bank deposits	(97,504)	(27,882)
Mature of time deposit with maturity over 3 months	–	12,500
Net cash inflow from disposal of a subsidiary	–	15,000
Net cash used in investing activities	<u>(438,274)</u>	<u>(1,100,440)</u>
Financing activities		
Proceeds from issuance of bonds, net of transaction cost	–	1,050,172
Repurchase of bonds	–	(48,172)
Dividends paid	(143,128)	(38,562)
New bank borrowings raised	1,494,036	2,989,317
Repayments of bank borrowings	(1,548,468)	(2,268,700)
Interest paid	(189,968)	(184,763)
Net cash (used in) from financing activities	<u>(387,528)</u>	<u>1,499,292</u>
(Decrease) increase in cash and cash equivalents	(547,547)	460,441
Cash and cash equivalents at beginning of the year	1,191,278	729,519
Effect of foreign exchange rate changes	23,403	1,318
Cash and cash equivalents at end of the year	<u><u>667,134</u></u>	<u><u>1,191,278</u></u>
Represented by:		
Bank balances and cash	<u><u>667,134</u></u>	<u><u>1,191,278</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 October 2010. The Company and its subsidiaries are hereinafter referred to as the Group.

The Company's immediate holding company is Ample Bonus Limited, a limited liability company incorporated in the British Virgin Islands whereas the Company's ultimate holding company is Far East Consortium International Limited ("FECIL"), a limited liability company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange. The companies comprising the FECIL group excluding the Group are hereinafter referred to as the "Parent Entities".

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the 2015 annual report issued by the Company.

The principal activities of the Group are hotel operation and management, property investment, property development and property trading.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. Basis of Preparation of Consolidated Financial Statements

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$285,098,000 as at 31 March 2015. In the opinion of the Directors of the Company, the Group has a number of sources of finance available to fund its operations. The Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 July 2014

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company are in the process of assessing the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial positions for the future and/or on the disclosures set out in the financial statements of the Group.

4. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services provided in the normal course of business, net of discounts and related taxes.

Revenue from hotel operations and hotel management service fee are recognised when the relevant services are provided.

Revenue from sale of properties is recognised when the relevant properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits under current liabilities.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the terms of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment (other than hotel properties under development and construction-in-progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than hotel properties under development and construction-in-progress) less their residual values over their estimated useful lives, using the straight-line method. No depreciation is provided on hotel properties under development and construction-in-progress which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If an item of property, plant and equipment is transferred to an investment property when there is a change of use, evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

When owner occupation of property, plant and equipment have ceased from use and are developed for sale in the course of ordinary activities, the property, plant and equipment are transferred to properties held for sale at their carrying amount.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

*Inventories**Properties for sale*

Properties for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Other inventories

Other inventories comprising food and beverages are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Properties under development

Hotels under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences.

When the building on the leasehold land is in the course of development and the leasehold land component is accounted for as operating lease, the amortisation for the leasehold land is included as part of the costs of the buildings under construction during the construction period. If the leasehold land is accounted for as finance lease, the cost of land is included within hotel properties under development.

Properties which are intended for sale after completion of development within the Group's normal operating cycle are stated at the lower of cost and net realisable value. Cost includes costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties. Such properties are recorded as properties for sale under current assets. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to incur in marketing and selling the properties.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of

the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including debtors, pledged deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets at FVTPL

The Group's financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 7.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of

impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue cost.

Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 7.

Other financial liabilities

Other financial liabilities (including creditors, bank borrowings and bonds) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Shares options granted to employees

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level

3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets and liabilities, the causes of the fluctuations will be reported to the Directors of the Company.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 7 and 20 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Deferred tax

The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Group determine whether deferred tax assets would be recognised based on profit projections of the respective group entities and the expected reversal of taxable temporary differences in the coming years. The Group reviews the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the year in which such a recognition or reversal takes place.

6. Capital Risk Management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings less cash and cash equivalents and equity attributable to equity holders of the Group, comprising capital, share premium, reserves and retained profits.

The Group regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall structure through issuance of new shares, raising new debts and repayment of existing debts, if necessary.

7. Financial Instruments

a. Categories of financial instruments

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Investment securities	643,761	514,264
Derivative financial instruments	1,268	20,062
Loans and receivables (including cash and cash equivalents)	1,072,207	1,519,338
Financial liabilities		
Derivative financial instruments	59,547	–
Amortised cost	5,682,792	5,887,491
	<u> </u>	<u> </u>

b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate bank and other borrowings. The variable-rate bank borrowings carry interest at Hong Kong Interbank Offered Rates (“HIBOR”), People’s Bank of China (“PBOC”) Prescribed Interest Rate, London Interbank Offered Rate (“LIBOR”), Singapore Swap Offered Rate (“S\$ SOR”) and Malaysia Base Lending Rates (“Malaysia BLR”). It is the Group’s policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis considers only bank borrowings which have significant impact on the financial statements. The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management’s assessment of the reasonably possible change in the interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group’s profit after tax for the year would decrease or increase by HK\$16,352,000 (2014: HK\$16,905,000) and the interest capitalised to the Group’s hotels and properties under development would increase/decrease by HK\$2,397,000 (2014: HK\$2,405,000).

In management’s opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign currency risk management

Certain group entities have transactions denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amount of the Group’s foreign currency denominated monetary items, (other than bonds and derivative financial instruments) at the end of the reporting period are as follows:

	2015 HK\$’000	2014 HK\$’000
Renminbi (“RMB”)	95,656	58,114
Euro (“EUR”)	20,133	2,263
Singapore Dollar (“S\$”)	10,677	5,390
Great Britain Pound (“GBP”)	184,091	374
	<u> </u>	<u> </u>

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly on currencies other than United States dollar ("US\$") for the individual group entity in Hong Kong since HK\$ are pegged to US\$ under the Linked Exchange Rate System and the management does not expect any significant exposure in relation to the exchange rate fluctuation between HK\$ and US\$. The following table details the Group's sensitivity to a 5% (2013: 5%) weakening in the HK\$ against the relevant foreign currencies other than US\$, while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end if HK\$ weakens 5% against the relevant foreign currency. A 5% strength in HK\$ against the relevant foreign currencies would have an equal and opposite impact on profit.

	Increase in profit after tax	
	2015	2014
	HK\$'000	HK\$'000
RMB	3,993	2,426
EUR	841	94
S\$	446	225
GBP	7,686	16
	13,966	2,761

In the management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

Credit risk management

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the respective group companies has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers. The management of the respective companies reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical locations of customers are mainly in Singapore and Hong Kong (2014: Singapore and Malaysia) which accounted for 52% and 21% (2014: 54% and 20%) of trade receivables, respectively, as at 31 March 2015.

The credit risk for bank deposits is limited because the counterparties are financial institutions with high credit ratings.

Liquidity risk management

The Group's liquidity requirements for operation and its compliance with lending covenants is monitored closely by the management of the respective companies, to ensure that it maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year HK\$'000	One to three years HK\$'000	Three to five years HK\$'000	Over five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
At 31 March 2015							
Financial liabilities							
- Trade and other creditors	N/A	203,917	-	-	-	203,917	203,917
- Secured bank borrowings at variable interest rate	2.98	1,878,355	464,571	2,304,681	110,436	4,758,043	4,473,601
- Bonds	6.17	60,776	121,551	1,043,313	-	1,225,640	1,005,274
		<u>2,143,048</u>	<u>586,122</u>	<u>3,347,994</u>	<u>110,436</u>	<u>6,187,600</u>	<u>5,682,792</u>
At 31 March 2014							
Financial liabilities							
- Trade and other creditors	N/A	267,915	-	-	-	267,915	267,915
- Secured bank borrowings at variable interest rate	3.23	2,196,731	376,261	2,228,110	137,469	4,938,571	4,616,885
- Bonds	6.17	60,776	121,551	1,073,701	-	1,256,028	1,002,691
		<u>2,525,422</u>	<u>497,812</u>	<u>3,301,811</u>	<u>137,469</u>	<u>6,462,514</u>	<u>5,887,491</u>

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Bank loans with a repayment on demand clause with carrying amount of HK\$1,421,124,000 (2014: HK\$1,424,711,000) as at 31 March 2015 are included in the “on demand or within one year” time band in the above maturity analysis but repayments are expected to be in accordance with the loan repayment schedule which are due in September 2033 (2014: September 2033). Taking into account the Group’s financial position, the Directors of the Company believe that it is not probable that the counterparties will exercise their discretionary rights to demand immediate repayment and such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. On this basis, the interest and principal cashflows of the “variable interest rate financial liabilities” in the above analysis would be as follows:

	On demand or within one year <i>HK\$'000</i>	One to three years <i>HK\$'000</i>	Three to five years <i>HK\$'000</i>	Over five years <i>HK\$'000</i>	Total undiscounted cash flow <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2015	<u>1,602,563</u>	<u>801,615</u>	<u>2,392,791</u>	<u>264,911</u>	<u>5,061,880</u>	<u>4,473,601</u>
At 31 March 2014	<u>986,963</u>	<u>1,327,637</u>	<u>2,458,284</u>	<u>305,519</u>	<u>5,078,403</u>	<u>4,616,885</u>

c. Fair value of financial instruments

The fair values of the Group’s financial assets and financial liabilities excluding certain financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Certain financial instruments of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at 31 March 2015 <i>HK\$'000</i>	Fair value as at 31 March 2014 <i>HK\$'000</i>	Fair value hierarchy	Valuation technique and key inputs
Listed debt securities classified as investment securities	357,627	128,098	Level 1	Quoted prices in active markets
Investment funds classified as investment securities	286,134	386,166	Level 2	Redemption value quoted by the investment funds with reference to the underlying assets (mainly listed securities) of the funds
Cross currency swap contracts classified as derivative financial instruments designated as hedging instruments	(58,939)	20,062	Level 2	Discounted cash flow analysis. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward exchange and interest rates, discounted at a rate that reflects the credit risk of various counterparties
Foreign currency forward contracts classified as derivative financial instruments	Assets – 1,268 Liabilities – (394)	–	Level 2	Discounted cash flow analysis. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
Interest rate swap contracts classified as derivative financial instruments	(214)	–	Level 2	Discounted cash flow analysis. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties

There were no transfers between Level 1 and 2 during the year.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

8. Segment Information

Information reported to the Group's chief operating decision maker ("CODM"), who are the executive directors of the Company, for the purposes of resource allocation and performance assessment is focused on revenue and operating results from each of the five geographical locations of operations namely, Hong Kong, Malaysia, People's Republic of China other than Hong Kong ("PRC"), Singapore, and United Kingdom ("UK"). This is also the basis upon which the Group is organised and managed.

Hong Kong	-	Hotel development, hotel operation and management, and securities and financial products investments
Malaysia	-	Hotel operation and management, and residential property development
PRC	-	Hotel development, hotel operation, and leasing of investment properties
Singapore	-	Hotel operation, residential property development, and leasing of investment properties
UK	-	Hotel development and hotel operation

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 4. Segment profit represents the profit before taxation earned by each segment.

(a) Segment revenue and results

The following is an analysis of the Group's revenue from external customers and profit (loss) before tax by operating and reportable segments:

	Segment revenue		Segment profit (loss)	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hotel operations and management/property investment:				
Hong Kong	793,780	716,364	176,249	229,273
Malaysia	264,399	310,003	46,485	58,890
PRC	196,968	169,959	(53,780)	(69,913)
Singapore (Note)	102,606	74,108	31,256	131,141
UK	74,451	-	(20,295)	(11,571)
	<u>1,432,204</u>	<u>1,270,434</u>	<u>179,915</u>	<u>337,820</u>
Property development:				
Singapore	-	498,392	-	131,506
Securities and financial products investments:				
Hong Kong	21,823	17,024	(30,001)	(54,635)
	<u>1,454,027</u>	<u>1,785,850</u>	<u>149,914</u>	<u>414,691</u>

Note: The segment profit of Singapore for the year ended 31 March 2014 included fair value gain arising on transfers from completed properties for sale to investment properties amounting to HK\$130,870,000.

None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer contributed over 10% of the total revenue of the Group.

(b) *Segment assets*

The following is an analysis of the Group's segment assets and non-current assets (excluding pledged deposits and deferred tax assets) by geographical location at the end of the reporting period:

	Non-current assets		Segment assets	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel operations and management/property investment:				
Hong Kong	3,414,990	3,359,073	3,984,926	3,964,449
Malaysia	831,623	916,674	968,052	1,071,002
PRC	2,131,179	2,153,703	2,223,323	2,302,657
Singapore	666,355	749,602	827,573	795,066
UK	889,142	884,209	942,576	934,554
	<u>7,933,289</u>	<u>8,063,261</u>	<u>8,946,450</u>	<u>9,067,728</u>
Property development:				
Singapore	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,227</u>
Securities and financial products investments:				
Hong Kong	<u>-</u>	<u>-</u>	<u>883,747</u>	<u>1,117,690</u>
	<u><u>7,933,289</u></u>	<u><u>8,063,261</u></u>	<u><u>9,830,197</u></u>	<u><u>10,270,645</u></u>

All assets are allocated to operating segments and no assets are used jointly by reportable segments.

Information about segment liabilities is not regularly reviewed by the CODM. Accordingly, no such information is presented.

(c) *Other information*

The following table sets out amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31 March 2015					
	Hong Kong HK\$'000	Malaysia HK\$'000	PRC HK\$'000	Singapore HK\$'000	UK HK\$'000	Consolidated HK\$'000
Allowance for bad and doubtful debts	-	-	-	-	(18)	(18)
Depreciation and amortisation	(116,164)	(23,368)	(89,112)	(17,903)	(13,303)	(259,850)
Change in fair value of derivative financial instruments	(4,131)	-	-	-	-	(4,131)
Change in fair value of investment properties	-	-	68,695	(2,948)	-	65,747
Interest income	2,178	431	188	-	73	2,870
Finance costs	(108,224)	(13,385)	(37,377)	(5,495)	-	(164,481)
Additions to property, plant and equipment	227,400	26,667	261,630	824	120,786	637,307
(Loss) gain on disposal of property, plant and equipment	(746)	(13)	(42)	7	-	(794)
Impairment loss on interest in an associate	-	-	(20,631)	-	-	(20,631)
	<u>-</u>	<u>-</u>	<u>(20,631)</u>	<u>-</u>	<u>-</u>	<u>(20,631)</u>

	For the year ended 31 March 2014					
	Hong Kong HK\$'000	Malaysia HK\$'000	PRC HK\$'000	Singapore HK\$'000	UK HK\$'000	Consolidated HK\$'000
Allowance for bad and doubtful debts	-	(333)	-	-	-	(333)
Depreciation and amortisation	(78,968)	(24,771)	(73,707)	(19,028)	-	(196,474)
Change in fair value of derivative financial instruments	-	-	-	676	-	676
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss	27,329	-	-	-	-	27,329
Interest income	1,963	141	462	-	22	2,588
Finance costs	(111,087)	(14,867)	(29,535)	(11,772)	-	(167,261)
Additions to property, plant and equipment	459,008	7,709	56,441	16,471	333,553	873,182
Loss on disposal of property, plant and equipment	(233)	-	-	-	-	(233)
Fair value gain arising on transfers from completed properties for sale to investment properties	-	-	-	130,870	-	130,870
	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,870</u>	<u>-</u>	<u>130,870</u>

9. Revenue

An analysis of the Group's revenue representing the aggregate income from hotel operations, sales of properties, gross rental from leasing of properties, and interest income from securities and financial products investments, net of business tax, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hotel room revenue, food and beverage	1,372,422	1,221,814
Sales of properties	–	498,392
Rental income from properties	59,782	48,620
Interest income from securities and financial products investments	21,823	17,024
	<u>1,454,027</u>	<u>1,785,850</u>

10. Pre-Opening Expenses

Pre-opening expenses represent costs or operating losses incurred in connection with start-up activities prior to the grand opening of hotels. These primarily include staff cost and utility charges.

11. Other Gains and Losses

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fair value gain arising on transfers from completed properties for sale to investment properties (<i>note 20</i>)	–	130,870
Impairment loss on interest in an associate	(20,631)	–
Change in fair value of investment properties	65,747	–
Change in fair value of investment securities	(14,879)	(18,242)
Change in fair value of derivative financial instruments	(4,131)	676
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss (<i>note 27</i>)	–	27,329
Gain on partial repurchase of the bonds (<i>note 30</i>)	–	2,067
Net foreign exchange loss	(3,855)	(122)
Allowance for bad and doubtful debts	(18)	(333)
Loss on disposal of property, plant and equipment	(794)	(233)
Others	17	(1,838)
	<u>21,456</u>	<u>140,174</u>

12. Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	120,410	110,110
– not wholly repayable within five years	16,563	22,822
Amortisation of front-end fee	5,257	12,836
Interest on bonds (<i>note 30</i>)	62,971	62,279
Less: net interest income from cross currency swap contracts	(10,128)	(10,572)
Others	1,271	1,140
	<u>196,344</u>	<u>198,615</u>
Less: amount capitalised to hotels properties under development, properties for sale under development and construction-in-progress	(31,863)	(31,354)
	<u>164,481</u>	<u>167,261</u>

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 6% (2014: nil) per annum to expenditure on the qualifying assets.

13. Income Tax Expense

	2015 HK\$'000	2014 HK\$'000
Current year income tax		
– Hong Kong	25,970	34,104
– Other jurisdictions		
– Singapore	(1,769)	24,869
– Malaysia	1,876	3,922
	<u>26,077</u>	<u>62,895</u>
Deferred taxation (<i>note 31</i>)	29,485	(24,772)
	<u>55,562</u>	<u>38,123</u>

Taxation arising in each region is calculated at the rates prevailing in the relevant jurisdiction.

Income tax expense is reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2015					Total HK\$'000
	Hong Kong HK\$'000	Malaysia HK\$'000	PRC HK\$'000	Singapore HK\$'000	UK HK\$'000	
Profit (loss) before tax	146,248	46,485	(53,780)	31,256	(20,295)	149,914
Applicable income tax rate	16.5%	25%	25%	17%	21%	
Tax at the applicable income tax rate	24,131	11,621	(13,445)	5,314	(4,262)	23,359
Tax effect of expenses not deductible for tax purpose	18,391	3,001	8,966	2,222	4,262	36,842
Tax effect of income not taxable	(5,531)	(2,062)	(1,727)	-	-	(9,320)
Tax effect of tax losses not recognised	479	-	26,302	491	-	27,272
Utilisation of tax loss previously not recognised	(7,162)	(4,765)	(4,770)	(2,213)	-	(18,910)
(Over)underprovision of income tax of prior years	(315)	231	-	(1,864)	-	(1,948)
Tax effect of deductible temporary difference unrecognised	(1,198)	(1,379)	118	-	-	(2,459)
Others	(761)	347	1,848	(708)	-	726
Income tax expense for the year	28,034	6,994	17,292	3,242	-	55,562
	Year ended 31 March 2014					Total HK\$'000
	Hong Kong HK\$'000	Malaysia HK\$'000	PRC HK\$'000	Singapore HK\$'000	UK HK\$'000	
Profit (loss) before tax	174,638	58,890	(69,913)	262,647	(11,571)	414,691
Applicable income tax rate	16.5%	25%	25%	17%	23%	
Tax at the applicable income tax rate	28,815	14,723	(17,478)	44,650	(2,661)	68,049
Tax effect of expenses not deductible for tax purpose	7,403	1,991	3,949	2,326	2,661	18,330
Tax effect of income not taxable	(40)	(1,567)	(1,586)	(21,946)	-	(25,139)
Tax effect of tax losses not recognised	242	-	16,954	-	-	17,196
Utilisation of tax loss previously not recognised	(5,205)	(12,571)	(1,839)	-	-	(19,615)
Tax effect of tax losses recognised	-	(26,817)	-	-	-	(26,817)
(Over)underprovision of income tax of prior years	(1,376)	122	-	-	-	(1,254)
Tax effect of deductible temporary difference unrecognised	7,085	482	-	-	-	7,567
Others	(33)	-	-	(161)	-	(194)
Income tax expense for the year	36,891	(23,637)	-	24,869	-	38,123

Details of the deferred taxation are set out in note 31.

14. Profit for the Year

	2015 HK\$'000	2014 HK\$'000
Profit for the year is arrived at after charging:		
Auditor's remuneration	6,113	5,174
Staff costs		
Directors' emoluments (<i>note 17(a)</i>)	5,380	6,206
Other staff		
Salaries and other benefits	394,942	345,267
Retirement benefit scheme contributions	25,599	23,739
Share-based payment expenses	426	757
	426,347	375,969
Operating lease payments	6,486	6,208
Depreciation	249,685	187,003
Amortisation of prepaid lease payments	10,165	10,035
Less: amount capitalised to hotels under development and properties for sale under development	–	(564)
	<u>10,165</u>	<u>9,471</u>
and crediting:		
Rental income	59,782	48,620
Less: direct outgoings	<u>(2,842)</u>	<u>(2,911)</u>
	56,940	45,709
Bank interest income	<u>2,870</u>	<u>2,588</u>

15. Dividends

	2015 HK\$'000	2014 HK\$'000
Dividend recognised as distribution during the year:		
2015 interim dividend of HK2 cents per share (2014: 2014 interim dividend of HK2 cents per share)	41,993	41,514
2014 final dividend of HK5 cents per share (2014: 2013 final dividend of HK8 cents per share)	<u>104,899</u>	<u>160,000</u>
	<u>146,892</u>	<u>201,514</u>

A final dividend for the year ended 31 March 2015 of HK2 cents per share, amounting to HK\$42,013,000 in aggregate, have been proposed by the Directors of the Company and is subject to the approval of the shareholders in the forthcoming annual general meeting.

Shareholders shall receive cash for the dividend proposed and paid during the year. Shares issued during the year on the shareholders' election for shares are set out in note 32.

16. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

Earnings

	2015 HK\$'000	2014 HK\$'000
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	<u>94,352</u>	<u>376,568</u>

Number of shares

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<u>2,098,664</u>	<u>2,033,415</u>

The computation of diluted earnings per share for both years did not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares for both years.

17. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

(a) *Directors' emoluments*

The emoluments paid or payable to each of the directors of the Company were as follows:

Name of directors	For the year ended 31 March 2015					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit schemes contributions HK\$'000	Share-based payment expenses HK\$'000	
<i>Executive directors</i>						
Ms. CHIU, Wing Kwan Winnie	-	2,296	469	18	104	2,887
Mr. LAI, Wai Keung	-	1,260	215	18	73	1,566
<i>Non-executive directors</i>						
Tan Sri Dato' CHIU, David	-	-	-	-	-	-
Mr. HOONG, Cheong Thard	-	-	-	-	130	130
Mr. CHAN, Chi Hing	-	-	-	-	163	163
<i>Independent non-executive directors</i>						
Mr. SHEK, Lai Him Abraham	160	-	-	-	-	160
Mr. TO, Peter	158	-	-	-	-	158
Dr. LIU, Ngai Wing	160	-	-	-	-	160
Mr. ANGELINI, Giovanni	156	-	-	-	-	156
	<u>634</u>	<u>3,556</u>	<u>684</u>	<u>36</u>	<u>470</u>	<u>5,380</u>

Name of directors	For the year ended 31 March 2014					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000 (Note a)	Retirement benefit schemes contributions HK\$'000	Share- based payment expenses HK\$'000	
<i>Executive directors</i>						
Ms. CHIU, Wing Kwan Winnie	-	2,180	930	15	187	3,312
Mr. LAI, Wai Keung	-	1,210	380	15	131	1,736
<i>Non-executive directors</i>						
Tan Sri Dato' CHIU, David	-	-	-	-	-	-
Mr. HOONG, Cheong Thard	-	-	-	-	233	233
Mr. CHAN, Chi Hing	-	-	-	-	291	291
<i>Independent non-executive directors</i>						
Mr. SHEK, Lai Him Abraham	160	-	-	-	-	160
Mr. TO, Peter	160	-	-	-	-	160
Dr. LIU, Ngai Wing	160	-	-	-	-	160
Mr. ANGELINI, Giovanni	154	-	-	-	-	154
	<u>634</u>	<u>3,390</u>	<u>1,310</u>	<u>30</u>	<u>842</u>	<u>6,206</u>

Notes:

- (a) The discretionary incentive payments are discretionary and are determined with reference to the Group's and director's personal performance.
- (b) Certain executive and non-executive directors of the Company were granted options to subscribe for shares in the Company and FECIL under the share option schemes adopted by the Company and FECIL. Details of the share option schemes are disclosed in note 38.
- (c) Ms. CHIU, Wing Kwan Winnie is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2014: one) was a director whose emolument is disclosed above. The emoluments of the remaining four (2014: four) individuals were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other benefits	6,979	7,337
Performance-based incentive payments	1,237	1,145
Contributions to retirement benefit scheme	70	45
Share-based payment expenses	84	149
	<u>8,370</u>	<u>8,676</u>

The performance-based incentive payments are determined by reference to the revenue of certain subsidiaries and the Group.

The employees' emoluments were within the following bands:

	Number of employees	
	2015	2014
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	3	4
	<u>4</u>	<u>4</u>

No emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any of their emoluments for both years.

18. Property, Plant and Equipment

	Hotel properties		Leasehold improvements, furniture, fixtures and equipment	Construction-in-progress	Total HK\$'000
	Completed HK\$'000	Under development HK\$'000	HK\$'000	HK\$'000	
COST					
At 1 April 2013	3,499,099	2,283,715	403,785	–	6,186,599
Additions	–	814,844	58,338	–	873,182
Transfer on completion of development	1,685,087	(2,055,150)	370,063	–	–
Disposals	–	–	(2,774)	–	(2,774)
Exchange alignment	(41,629)	64,447	(10,106)	–	12,712
At 31 March 2014	5,142,557	1,107,856	819,306	–	7,069,719
Additions	320,679	164,687	127,337	24,604	637,307
Transfer on completion of development	604,901	(608,233)	3,332	–	–
Disposals	–	–	(4,238)	–	(4,238)
Exchange alignment	(183,138)	(66,198)	(27,062)	–	(276,398)
At 31 March 2015	5,884,999	598,112	918,675	24,604	7,426,390
DEPRECIATION					
At 1 April 2013	424,924	–	108,998	–	533,922
Provided for the year	122,597	–	64,406	–	187,003
Eliminated on disposals	–	–	(2,291)	–	(2,291)
Exchange alignment	(25,734)	–	(7,736)	–	(33,470)
At 31 March 2014	521,787	–	163,377	–	685,164
Provided for the year	156,330	–	93,355	–	249,685
Eliminated on disposals	–	–	(2,899)	–	(2,899)
Exchange alignment	(38,274)	–	(12,789)	–	(51,063)
At 31 March 2015	639,843	–	241,044	–	880,887
CARRYING VALUES					
At 31 March 2015	<u>5,245,156</u>	<u>598,112</u>	<u>677,631</u>	<u>24,604</u>	<u>6,545,503</u>
At 31 March 2014	<u>4,620,770</u>	<u>1,107,856</u>	<u>655,929</u>	<u>–</u>	<u>6,384,555</u>

The carrying amounts of the properties shown above comprise:

	2015 HK\$'000	2014 HK\$'000
Leasehold land and buildings in Hong Kong:		
Long leases	352,191	360,854
Medium-term leases	2,766,924	2,711,825
Freehold land and buildings outside Hong Kong	1,514,488	1,586,426
Buildings on leasehold land outside Hong Kong:		
Long leases	276,423	325,062
Medium-term leases	933,242	744,459
	<u>5,843,268</u>	<u>5,728,626</u>

Leasehold lands are depreciated over the terms of the lease of land. Buildings are depreciated on a straight-line basis over their remaining useful lives of 25 to 50 years, or the remaining terms of the lease of land, whichever is the shorter.

Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum.

The carrying amounts of properties under development at the end of the reporting period includes capitalised interest expense of HK\$18,432,000 (2014: HK\$20,584,000).

The Group is in the process of obtaining the title of certain completed hotel properties located in Malaysia with carrying amount of HK\$292,688,000 (2014: HK\$305,306,000).

Properties with carrying amount of HK\$4,692,204,000 (2014: HK\$4,893,680,000) are under charge to secure bank borrowings of the relevant group entities.

19. Prepaid Lease Payments

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	588,919	604,171
Amortisation	(10,165)	(10,035)
Exchange alignment	(27,466)	(5,217)
	<u>551,288</u>	<u>588,919</u>

The carrying value represents leasehold land outside Hong Kong:

Long-term lease with lease period of 99 years	279,831	307,626
Medium-term lease with lease period of 35 years	271,457	281,293
	<u>551,288</u>	<u>588,919</u>

Analysed for reporting purposes as:

Non-current asset	536,962	574,164
Current asset	14,326	14,755
	<u>551,288</u>	<u>588,919</u>

Leasehold lands are under charge to secure bank borrowings of the relevant group entities.

20. Investment Properties

	2015 HK\$'000	2014 HK\$'000
FAIR VALUE		
At beginning of the year	600,996	412,500
Transfer from completed properties for sales	–	188,802
Increase in fair value	65,747	–
Exchange adjustments	(15,729)	(306)
	<u>651,014</u>	<u>600,996</u>
At end of the year	<u>651,014</u>	<u>600,996</u>

The carrying amounts of the investment properties shown above comprise:

	2015 HK\$'000	2014 HK\$'000
Land and buildings situation in the PRC under medium-term leases	481,250	412,500
Land and buildings situation in Singapore under long leases	169,764	188,496
	<u>651,014</u>	<u>600,996</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties which are stated at fair value are under charge to secure bank borrowings of the relevant group entities.

During the year ended 31 March 2014, certain properties were transferred from completed properties for sale to investment properties evidenced by the commencement of operating lease to another party and the difference between the fair value of these investment properties at the date of transfer of S\$30,600,000 (equivalent to HK\$188,802,000) and their previous carrying amount of S\$9,522,529 (equivalent to HK\$59,125,000), amounted to S\$21,077,471 (equivalent to HK\$130,870,000), was recognised in profit or loss accordingly.

The fair values of the investment properties situated in the PRC and Singapore at 31 March 2015, 31 March 2014 and at the date of transfer from completed properties for sale to investment properties have been arrived at on the basis of a valuation carried out on the respective dates by the following independent qualified professional valuers not connected with the Group:

Location of the investment properties	Independent qualified professional valuers	Qualification
PRC	DTZ Debenham Tie Leung Limited	Member of the Hong Kong Institute of Surveyors
Singapore	Savills Valuation and Professional Services (S) Ltd.	Member of the Singapore Institute of Surveyors and Valuers

The major inputs used in the fair value measurement of the Group's investment properties are set out below:

As at 31 March 2015

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment property – Property I-1	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% for retail portion.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		The key inputs are: (1) Capitalisation rate; and (2) Market rent.	Market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, ranging from RMB76 to RMB200 per square metre ("sqm") per month.	The higher the market rent, the higher the fair value.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Completed investment property – Property I-2	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.0% and 4.5% for retail portion and office portion, respectively.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		The key inputs are: (1) Capitalisation rate; and (2) Market rent.	Market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, ranging from RMB52 to RMB69 per sqm per month for retail portion, and of RMB43 per sqm per month for office portion.	The higher the market rent, the higher the fair value.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Completed investment property – Property I-3	Level 3	Market Comparison Method	Market unit rate, taking into account the time, location, and individual factors, such as frontage, level, and size, between the comparables and the property, of S\$46,885 per sqm.	The higher the market unit rate, the higher the fair value	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.

As at 31 March 2014

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment property – Property I-1	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% for retail portion.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		The key inputs are: (1) Capitalisation rate; and (2) Market rent.	Market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, ranging from RMB75 to RMB197 per sqm per month.	The higher the market rent, the higher the fair value.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Completed investment property – Property I-2	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 8.5% and 4.5% for retail portion and office portion, respectively.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		The key inputs are: (1) Capitalisation rate; and (2) Market rent.	Market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, ranging from RMB46 to RMB66 per sqm per month for retail portion, and ranging from RMB41 to RMB45 per sqm per month for office portion.	The higher the market rent, the higher the fair value.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Completed investment property – Property I-3	Level 3	Market Comparison Method	Market unit rate, taking into account the time, location, and individual factors, such as frontage, level, and size, between the comparables and the property, of S\$47,664 per sqm.	The higher the market unit rate, the higher the fair value	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
		The key input is: Market unit rate			

The valuation of the completed investment properties, which falls under level 3 of the fair value hierarchy, was arrived at by reference to market evidence of transaction prices for similar properties at similar locations or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, the market rentals of all lettable units of the properties are made by reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted for the valuer's knowledge of factors specific to the respective properties.

The valuation of the investment properties under development, which falls under level 3 of the fair value hierarchy, has been arrived at by using direct comparison approach with reference to comparable properties as available in the market with adjustments made to account for the differences and with due allowance for development costs, and indirect costs that will be expended to complete the development as well as developer's risks associated with the development of the property at the valuation date and the return that the developer would require for bringing them to the completion status, which is determined by the valuers, based on its analyses of recent land transactions and market value of similar completed properties in the relevant locations.

There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

21. Interest in an Associate

	2015 HK\$'000	2014 HK\$'000
Cost of investments, unlisted	76,533	76,533
Less: Impairment loss recognised	<u>(20,631)</u>	<u>–</u>
	<u>55,902</u>	<u>76,533</u>

During the year ended 31 March 2015, the Directors of the Company assessed the expected future cash flows to be generated by an associate and an impairment loss of HK\$20,631,000 was provided against the interest in an associate.

Particulars of the associate at 31 March 2015 and 31 March 2014 are as follows:

Name of associate	Form of legal entity	Proportion of registered capital held by the Group	Place of establishment and operations	Principal activities
Cosmopolitan Resort (Zhuji) Limited	Sino-Foreign Joint Venture	25%	PRC	Property development

No revenue, profit or loss has been derived from the associate. Costs incurred by the associate during the year are directly related to the development of the underlying projects and have been capitalised in the financial statements of the associate.

22. Investment Securities

	2015 HK\$'000	2014 HK\$'000
Investments held for trading:		
Listed debt securities (<i>note 7.c.</i>)	357,627	128,098
Investment funds (<i>note 7.c.</i>)	<u>286,134</u>	<u>386,166</u>
	<u>643,761</u>	<u>514,264</u>

Investment in investment funds represent pooled investments, comprising equity and debt securities in various markets.

23. Pledged Deposits/Bank Balances and Cash

Pledged deposits carry fixed interest at rates ranging from 0% to 0.90% (2014: 0.05% to 0.50%) per annum.

Pledged deposits included in non-current assets are pledged to secure bank borrowings repayable after five years whereas those included in current assets are pledged to secure bank borrowings repayable within one year.

Bank deposits with maturity of less than three months and bank balances carry floating interest at market rates ranging from 0% to 3.35% (2014: 0% to 1.28%) per annum.

24. Joint Operation

During the year ended 31 March 2012, a subsidiary entered into an agreement with a related company to jointly develop certain portion of the Group's freehold land with fair value, as agreed between the parties, of Malaysian Ringgit ("RM") 65,000,000 (equivalent to HK\$165,000,000). The related company is responsible for the provision of technical, commercial and financial management of the development on the land and marketing the properties on completion of their development and bears all the related costs and expenses of the development. The development activities and the sales of the completed properties are directed by the related company's board of directors, of which the Group and the related company have equal number of representatives throughout the joint operation period. The Group and the related company will share the profit or loss (representing revenue from sale less the fair value of the land, development costs and marketing expenses of the completed properties) from the development on a 50:50 basis.

Assets with a carrying amount of RM8,800,000, equivalent to HK\$18,468,000 (2014: RM8,800,000, equivalent to HK\$21,030,000) recognised in the consolidated financial statements as at 31 March 2015 in relation to the joint operation, representing the cost of the freehold land previously classified as property, plant and equipment, are included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.

25. Properties for Sale

Properties for/under development for sale amounting to HK\$18,468,000 (2014: HK\$21,030,000) are expected to be completed and realised after one year from the end of the reporting period.

The carrying amount includes freehold land of RM8,800,000, equivalent to HK\$18,468,000 (2014: RM8,800,000, equivalent to HK\$21,030,000) transferred from property, plant and equipment in the prior year for joint development as detailed in note 24.

26. Debtors, Deposits and Prepayments

	2015 HK\$'000	2014 HK\$'000
Trade debtors	138,148	145,504
Advance to contractors	9,139	5,909
Prepayments and other receivables	85,774	91,300
	<u>233,061</u>	<u>242,713</u>

The following is an aged analysis of the trade debtors presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 HK\$'000	2014 HK\$'000
0-60 days	63,314	63,898
61-90 days	2,315	1,291
Over 90 days	72,519	80,315
	<u>138,148</u>	<u>145,504</u>

The trade debtors aged over 60 days are past due but are not impaired.

Rental is payable upon presentation of demand note. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements.

Included in trade debtors is an amount of S\$12,040,000 equivalent to HK\$67,906,000 which represents the portion of proceeds that have been settled by the buyers and are being held in escrow account. The funds would be remitted to the Group upon the issuance of relevant certificate by the government authorities in Singapore, which is expected to take place within one year after the end of the reporting period.

In determining the recoverability of trade debtors, the Group considers the subsequent settlement and any change in the credit quality of the debtors from the date credit was initially granted up to the end of each reporting period. There is no concentration of credit risk due to the large and unrelated customer base. The management believes that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

Allowance for doubtful debts on the trade debtors and the movement during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Balance at beginning of the year	429	664
Impairment losses recognised	18	333
Amounts written off as uncollectible	(311)	(539)
Exchange alignment	(30)	(29)
	<u>106</u>	<u>429</u>
Balance at end of the year	<u>106</u>	<u>429</u>

27. Derivative Financial Instruments

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Designated under hedge accounting				
Cross currency swap contracts (Note 1)	-	20,062	(58,939)	-
Designated not under hedge accounting				
Forward foreign exchange contracts (Note 2)	1,268	-	(394)	-
Interest rate swap contracts (Note 3)	-	-	(214)	-
	<u>1,268</u>	<u>20,062</u>	<u>(59,547)</u>	<u>-</u>
Analysed for reporting purpose as:				
Current	1,268	-	(608)	-
Non-current	-	20,062	(58,939)	-
	<u>1,268</u>	<u>20,062</u>	<u>(59,547)</u>	<u>-</u>

Note 1: Cross currency swap contracts

The Group has entered into cross currency swap contracts to reduce its exposure to the currency exchange rate fluctuation in relation to the RMB bonds issued by the Company as set out in note 30. Upon issuance of the bonds, these cross currency swap contracts were designated as hedging instruments against the variability of cash flows arising from the bonds.

The bonds are denominated and settled in RMB, and bear coupon interest at the rate of 6% per annum payable semi-annually in arrears. Under the cross currency swap contracts outstanding as at 31 March 2015 and 31 March 2014, the Group would receive interest at a fixed rate of 6% per annum based on the principal amount of RMB810,340,000 and pay interest semi-annually at fixed rates ranging from 4.95% to 4.97% per annum based on the notional amounts of US\$130,555,987 in aggregate, with a maturity date of 3 April 2018. The cross currency swap contracts have been negotiated to match the settlement periods of the bonds.

During the year, the fair value losses arising from the cross currency swap contracts of HK\$79,001,000 (2014: fair value gains of HK\$28,898,000) were recognised in other comprehensive income. During the year ended 31 March 2014, an amount of gain of HK\$27,329,000 was reclassified from hedge reserve to profit or loss in the period when the hedged item is recognised in profit or loss.

Major terms of cross currency swap contracts at 31 March 2015 and 31 March 2014 are set out below:

- | | | |
|----|-----------------------------|---|
| 1) | Date of contract: | 25 March 2013 |
| | Effective date: | 3 April 2013 |
| | Notional amount: | RMB476,500,000 |
| | Maturity: | 3 April 2018 |
| | Interest payment: | Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.97% per annum on US\$76,817,669 semi-annually |
| | Principal exchanged amount: | US\$76,817,669 |
| 2) | Date of contract: | 27 March 2013 |
| | Effective date: | 3 April 2013 |
| | Notional amount: | RMB333,500,000 |
| | Maturity: | 3 April 2018 |
| | Interest payment: | Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.95% per annum on US\$53,738,318 semi-annually |
| | Principal exchanged amount: | US\$53,738,318 |

Note 2: Forward foreign exchange contracts

During the year, the Group entered into forward foreign exchange contracts with a bank in order to manage the Group's foreign currency exposure. These forward foreign exchange contracts were not accounted for under hedge accounting.

Major terms of outstanding forward foreign exchange contracts at 31 March 2015 are set out below:

(1) Notional amount:	Aggregate amount of US\$8,641,569
Maturity:	April 2015
Forward contract rate:	Buy US\$/sell EUR at 0.895 to 0.921
(2) Notional amount:	EUR5,364,510
Maturity:	April 2015
Forward contract rate:	Buy EUR/sell US\$ at 0.923
(3) Notional amount:	US\$712,462
Maturity:	April 2015
Forward contract rate:	Buy US\$/sell S\$ at 0.726

Note 3: Interest rate swap contracts

During the year, the Group entered into interest rate swap contracts with a bank in order to manage the Group's interest rate exposure. These interest rate swap contracts were not accounted for under hedge accounting.

Major terms of outstanding interest rate swap contracts at 31 March 2015 are set out below:

(1) Date of contract:	12 February 2015
Effective date:	17 February 2015
Notional amount:	US\$2,000,000
Maturity:	2 July 2017
Interest payment:	Pay interest at a fixed rate of 1.200% and receive interest at 3 months LIBOR
(2) Date of contract:	12 February 2015
Effective date:	17 February 2015
Notional amount:	US\$2,000,000
Maturity:	24 January 2018
Interest payment:	Pay interest at a fixed rate of 1.282% and receive interest at 3 months LIBOR

28. Creditors and Accruals

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	43,414	39,945
Construction cost and retention payable	95,105	135,423
Reservation deposits and receipts in advance	21,231	39,697
Other payable and accrued charges	157,671	156,745
	<u>317,421</u>	<u>371,810</u>

The following is an aged analysis of the trade creditors:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-60 days	31,956	28,776
61-90 days	1,589	1,757
Over 90 days	9,869	9,412
	<u>43,414</u>	<u>39,945</u>

29. Secured Bank Borrowings

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank loans	4,491,361	4,637,316
Less: front-end fee	<u>(17,760)</u>	<u>(20,431)</u>
	<u>4,473,601</u>	<u>4,616,885</u>
Analysis for reporting purpose as		
Current liabilities	1,823,905	2,119,978
Non-current liabilities	<u>2,649,696</u>	<u>2,496,907</u>
	<u>4,473,601</u>	<u>4,616,885</u>
The loans repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
On demand or within one year	1,343,641	857,053
More than one year but not exceeding two years	179,112	915,698
More than two years but not exceeding five years	2,738,622	2,604,580
More than five years	<u>229,986</u>	<u>259,985</u>
	<u>4,491,361</u>	<u>4,637,316</u>

The carrying amounts of the bank borrowings include an amount of HK\$481,525,000 (2014: HK\$1,264,035,000) which is not repayable within one year based on scheduled repayment dates has however been shown under current liabilities as the counterparties have discretionary rights to demand immediate repayment.

The range of effective interest rates of the bank loans is 0.93% to 8.19% (2014: 1.96% to 8.19%) per annum. The bank loans denominated in various currencies and carrying interest at prevailing market rates are analysed below.

Currencies	Interest rates	2015	2014
		HK\$'000	HK\$'000
HK\$	HIBOR plus 1.65% to HIBOR plus 3.00% (2014: HIBOR plus 1.65% to HIBOR plus 3.00%)	3,024,662	3,094,262
US\$	0.6% per annum above Bank's Cost of Funds	28,403	–
RMB	100% of 1 year PBOC Prescribed Interest Rate to 125% of 1 to 3 year PBOC Prescribed Interest Rate (2014: 100% of 1 year PBOC Prescribed Interest Rate to 125% of 1 to 3 year PBOC Prescribed Interest Rate)	600,213	636,699
GBP	LIBOR plus 2.80% (2014: LIBOR plus 2.80%)	255,567	257,360
S\$	S\$ SOR plus 1.20% (2014: S\$ SOR plus 1.85%)	366,600	383,492
RM	Malaysia BLR plus 1.25% to 1.50% (2014: Malaysia BLR plus 1.25% to 1.50%)	215,916	265,503
		<u>4,491,361</u>	<u>4,637,316</u>

30. Bonds

	2015	2014
	HK\$'000	HK\$'000
At beginning of the year	1,002,691	–
Issue of bonds	–	1,062,500
Transaction cost	–	(12,328)
Interest charged during the year	62,971	62,279
Interest paid during the year	(61,852)	(61,263)
Repurchase during the year	–	(50,239)
Exchange adjustments	1,464	1,742
	<u>1,005,274</u>	<u>1,002,691</u>
At end of the year		

The bonds were issued by the Company on 3 April 2013, to independent third parties at issue price equal to the principal amount with maturity date on 3 April 2018. The bonds bear interest at 6% per annum payable semi-annually.

The bonds issued by the Group are measured at amortised cost, using the effective interest method. Transaction costs are included in the carrying amount of the bonds and amortised over the period of the bonds using the effective interest method.

As at 31 March 2015 and 31 March 2014, the aggregate principal amount of the bonds outstanding was RMB810,340,000 (equivalent to HK\$1,012,925,000 and HK\$1,012,925,000 as at 31 March 2015 and 31 March 2014, respectively).

The principal terms of the bonds:

- a) Other than during the closed period and subject to the terms of the paying agency agreement in respect of the bonds, the bonds are transferable without restrictions.
- b) Unless previously redeemed or purchased and cancelled, the Company will redeem each bond at 100% at its principal amount together with unpaid accrued interest on the maturity date.
- c) At any time the Company may, having given not less than 30 nor more than 60 days' notice to the bondholders in accordance with the terms and conditions of the bonds (which notice shall be irrevocable) redeem all, and not some only, of the bonds at their principal amount together with interest accrued to the date fixed for redemption on the redemption date as a result of any change in, or amendment to, the applicable tax laws or regulations of the Cayman Islands or Hong Kong.
- d) When a change of control occurs with respect to the Company, the bondholder of each bond will have the right at such holder's option, to require the Company to redeem all or some only of that holder's bonds at 101% of their principal amount together with interest accrued to the date fixed for redemption.
- e) The bonds will constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.

Details of the issue of the bonds were disclosed in the Company's circular dated 25 March 2013.

During the year ended 31 March 2014, the Company partially repurchased a principal amount of RMB39,660,000 (equivalent to HK\$49,972,000) of the bonds with carrying amount of RMB39,832,000 (equivalent to HK\$50,239,000) at a consideration of HK\$48,172,000. The gain on partial repurchase of the bonds of HK\$2,067,000 was recognised in profit or loss (note 11).

31. Deferred Tax Assets/Liabilities

The major deferred tax liabilities (assets) recognised by the Group, and movements thereon during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Fair value adjustment of hotel properties <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	61,897	37,641	8,858	(13,672)	94,724
Charge (credit) to profit or loss	<u>10,787</u>	<u>(1,245)</u>	<u>-</u>	<u>(34,314)</u>	<u>(24,772)</u>
At 31 March 2014	72,684	36,396	8,858	(47,986)	69,952
Charge (credit) to profit or loss	<u>2,129</u>	<u>(1,245)</u>	<u>16,740</u>	<u>11,861</u>	<u>29,485</u>
At 31 March 2015	<u><u>74,813</u></u>	<u><u>35,151</u></u>	<u><u>25,598</u></u>	<u><u>(36,125)</u></u>	<u><u>99,437</u></u>

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax assets	(25,036)	(32,938)
Deferred tax liabilities	124,473	102,890
	<u>99,437</u>	<u>69,952</u>

At 31 March 2015, the Group had unused tax losses of HK\$454,400,000 (2014: HK\$489,688,000) available to offset against future profits. A deferred tax asset of HK\$36,125,000 (2014: HK\$47,986,000) has been recognised in respect of HK\$173,538,000 (2014: HK\$225,262,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$280,862,000 (2014: HK\$264,426,000) due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 31 March 2015, the Group has deductible temporary differences in relation to accelerated depreciation of property, plant and equipment amounted to HK\$311,073,000 (2014: HK\$323,378,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. Share Capital

	Number of ordinary shares of HK\$0.1 each	Nominal value <i>HK\$'000</i>
Authorised:	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2013	2,000,000,000	200,000
Issue of shares in lieu of cash dividends	97,983,352	9,798
At 31 March 2014	2,097,983,352	209,798
Issue of shares in lieu of cash dividends	2,643,298	264
At 31 March 2015	<u>2,100,626,650</u>	<u>210,062</u>

On 3 March 2015, the Company issued and allotted 998,100 new fully paid shares of HK\$0.1 each at HK\$1.332 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2015 interim dividend pursuant to the scrip dividend scheme announced by the Company on 25 November 2014. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 31 October 2014, the Company issued and allotted 1,645,198 new fully paid shares of HK\$0.1 each at HK\$1.480 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2014 final dividend pursuant to the scrip dividend scheme announced by the Company on 25 June 2014. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

33. Charges on Assets

Bank borrowings with aggregate carrying amount of HK\$4,491,361,000 (2014: HK\$4,637,316,000) outstanding at the end of the reporting period are secured by a fixed charge over the following assets of the Group together with a floating charge over other assets of the property owning subsidiaries and benefits accrued to those properties:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Property, plant and equipment	4,692,204	4,893,680
Prepaid lease payments	551,288	588,919
Investment properties	651,014	600,996
Properties for sale	25,224	28,409
Bank deposits	264,123	167,911
	<u>6,183,853</u>	<u>6,279,915</u>

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

34. Contingent Liabilities

During the year ended 31 March 2010, Hong Kong (SAR) Hotel Limited ("HKSAR Hotel"), a former subsidiary of the Company, initiated a lawsuit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK\$14,356,000. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK\$25,841,000. HKSAR Hotel was disposed of during the year ended 31 March 2013 but the Group undertakes to use all reasonable endeavours to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 and further adjourned to the period between 8 August 2013 and 19 August 2013. Both HKSAR Hotel and the contractor have filed the closing submissions and the reply submissions in September 2013 and October 2013. There is no final judgement up to the date of this report. In the opinion of the Directors of the Company, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

35. Capital Commitments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and other property, plant and equipment:		
– contracted for but not provided in the consolidated financial statements	259,477	153,281
– authorised but not contracted for	210,346	22,750
	<u>469,823</u>	<u>176,031</u>

36. Operating Lease Arrangements*The Group as lessor*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK\$'000	2014 HK\$'000
Within one year	43,269	44,608
In the second to fifth years inclusive	127,494	115,764
Over five years	68,140	46,733
	<u>238,903</u>	<u>207,105</u>

Leases are negotiated and rentals are fixed for terms ranging from one to twenty years.

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	2,571	6,192
In the second to fifth years inclusive	781	2,501
	<u>3,352</u>	<u>8,693</u>

Leases are negotiated and rentals are fixed for terms ranging from one to three years.

Included in the above are HK\$1,043,700 (2014: HK\$3,548,580) future minimum lease payments under non-cancellable operating lease with the Parent Entities.

37. Retirement Benefits Schemes

The Group provides a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

The Group makes defined contributions to the Employees Provident Fund for qualifying employees in Malaysia under which the Group is required to make fixed contributions under the defined contribution plans. The Group has no legal or constructive obligations of further contributions to make up any deficiencies of fund assets to cover all employees benefits relating to their services to the Group.

The Group makes defined contribution to the Singapore Central Provident Fund under which the Group is required to make a certain percentage of the salaries of the employees in Singapore, whereby the Group's obligations under the plan are equivalent to those arising in a defined contribution retirement benefit plan.

The Group provides a defined contribution schemes for its employees in the United Kingdom. Contributions are made based on a certain percentage of the salaries of the employees in the United Kingdom to the defined contribution schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs of the defined contribution schemes represent the contributions accrued to the scheme in respect of the accounting period.

Total retirement benefit expense charged to profit or loss for the year amounted to HK\$25,635,000 (2014: HK\$23,769,000).

38. Share Option Scheme

(a) Share option scheme of the Company

The Company's share option scheme was adopted pursuant to a resolution passed on 10 September 2010 (the "Share Option Scheme") for the purpose of providing incentives or rewards to directors and employees of the Company and any of its subsidiaries and the Parent Entities and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Company and any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company then in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual, and associates, in any 12-month period is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options are accepted. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, which must be a business day; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 March 2015, the number of options which remained outstanding under the Share Option Scheme was 14,414,545 (2014: 18,018,174) which, if exercised in full, represents 0.68% (2014: 0.85%) of the enlarged capital of the Company. 10,810,887 (2014: 10,810,887) share options were exercisable at the end of the reporting period.

Details of share options, which were granted on 11 October 2010 at an exercise price of HK\$2.20 per share, are as follows:

Option type	Vesting period	Exercisable period	Exercise price HK\$
Tranche 1	11.10.2010 to 10.10.2011	11.10.2011 to 10.10.2014	2.20
Tranche 2	11.10.2010 to 10.10.2012	11.10.2012 to 10.10.2015	2.20
Tranche 3	11.10.2010 to 10.10.2013	11.10.2013 to 10.10.2016	2.20
Tranche 4	11.10.2010 to 10.10.2014	11.10.2014 to 10.10.2017	2.20
Tranche 5	11.10.2010 to 10.10.2015	11.10.2015 to 10.10.2018	2.20

No options were granted during the year ended 31 March 2015 and no options granted were exercised during the years ended 31 March 2014 and 31 March 2015. Movements of the share options are as follows:

Grantee	Option type	Lapsed during the year ended		Lapsed during the year ended		
		At 1.4.2013	31.3.2014	At 31.3.2014	31.3.2015	At 31.3.2015
<i>Directors</i>						
Ms. CHIU, Wing Kwan Winnie	Tranche 1	454,545	-	454,545	(454,545)	-
	Tranche 2	454,545	-	454,545	-	454,545
	Tranche 3	454,545	-	454,545	-	454,545
	Tranche 4	454,545	-	454,545	-	454,545
	Tranche 5	454,547	-	454,547	-	454,547
		<u>2,272,727</u>	<u>-</u>	<u>2,272,727</u>	<u>(454,545)</u>	<u>1,818,182</u>
Mr. LAI, Wai Keung	Tranche 1	318,181	-	318,181	(318,181)	-
	Tranche 2	318,181	-	318,181	-	318,181
	Tranche 3	318,181	-	318,181	-	318,181
	Tranche 4	318,181	-	318,181	-	318,181
	Tranche 5	318,185	-	318,185	-	318,185
		<u>1,590,909</u>	<u>-</u>	<u>1,590,909</u>	<u>(318,181)</u>	<u>1,272,728</u>
Mr. HOONG, Cheong Thard	Tranche 1	567,272	-	567,272	(567,272)	-
	Tranche 2	567,272	-	567,272	-	567,272
	Tranche 3	567,272	-	567,272	-	567,272
	Tranche 4	567,272	-	567,272	-	567,272
	Tranche 5	567,275	-	567,275	-	567,275
		<u>2,836,363</u>	<u>-</u>	<u>2,836,363</u>	<u>(567,272)</u>	<u>2,269,091</u>
Mr. CHAN, Chi Hing	Tranche 1	709,090	-	709,090	(709,090)	-
	Tranche 2	709,090	-	709,090	-	709,090
	Tranche 3	709,090	-	709,090	-	709,090
	Tranche 4	709,090	-	709,090	-	709,090
	Tranche 5	709,094	-	709,094	-	709,094
		<u>3,545,454</u>	<u>-</u>	<u>3,545,454</u>	<u>(709,090)</u>	<u>2,836,364</u>
<i>Other employees in aggregate</i>	Tranche 1	1,663,631	(109,090)	1,554,541	(1,554,541)	-
	Tranche 2	1,663,631	(109,090)	1,554,541	-	1,554,541
	Tranche 3	1,663,631	(109,090)	1,554,541	-	1,554,541
	Tranche 4	1,663,631	(109,090)	1,554,541	-	1,554,541
	Tranche 5	1,663,651	(109,094)	1,554,557	-	1,554,557
		<u>8,318,175</u>	<u>(545,454)</u>	<u>7,772,721</u>	<u>(1,554,541)</u>	<u>6,218,180</u>
		<u>18,563,628</u>	<u>(545,454)</u>	<u>18,018,174</u>	<u>(3,603,629)</u>	<u>14,414,545</u>

The fair value of the options at the date of grant determined using the Binomial model is approximately HK\$18,001,000. During the year, the Group recognised a total expense of approximately HK\$896,000 (2013: HK1,599,000) in relation to the options granted.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

(b) *Share option scheme of FECIL*

On 31 August 2012, FECIL adopted a share option scheme to replace the share option scheme adopted on 28 August 2002, which has expired on 28 August 2012. The share option scheme of FECIL (the "FECIL Share Option Scheme") was approved by FECIL for the purpose of providing incentives and rewards to employees or executives or officers (including executive and non-executive directors) of FECIL or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to FECIL or any of its subsidiaries. Under the FECIL Share Option Scheme, the board of directors of FECIL may grant options to eligible employees, including directors of FECIL and its subsidiaries, to subscribe for shares in FECIL.

Without prior approval from FECIL's shareholders, (i) the total number of shares to be issued under the FECIL Share Option Scheme is not permitted to exceed 10% of the shares of FECIL then in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual, and associates, in any 12-month period is not permitted to exceed 1% of the shares of FECIL then in issue.

Options granted will be taken up upon payment of HK\$1. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options are accepted. The exercise price is determined by the directors of FECIL, and will not be less than the highest of (i) the closing price of FECIL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of FECIL's share.

Details of share options, which were granted on 21 October 2004, 8 May 2009 and 27 March 2013 at an initial exercise price of HK\$2.075 per share, HK\$1.500 per share and HK\$2.550 per share, respectively, are as follows:

Options granted on 21 October 2004

Option type	Vesting period	Exercisable period	Exercise price HK\$
Tranche 3	21.10.2004 to 31.12.2006	1.1.2007 to 20.10.2014	2.075
Tranche 4	21.10.2004 to 31.12.2007	1.1.2008 to 20.10.2014	2.075
Tranche 5	21.10.2004 to 31.12.2008	1.1.2009 to 20.10.2014	2.075

Options granted on 8 May 2009

Option type	Vesting period	Exercisable period	Exercise price HK\$
Tranche 1	08.05.2009 to 15.09.2009	16.09.2009 to 15.09.2019	1.500
Tranche 2	08.05.2009 to 15.09.2010	16.09.2010 to 15.09.2019	1.500
Tranche 3	08.05.2009 to 15.09.2011	16.09.2011 to 15.09.2019	1.500
Tranche 4	08.05.2009 to 15.09.2012	16.09.2012 to 15.09.2019	1.500

Options granted on 27 March 2013

Option type	Vesting period	Exercisable period	Exercise price HK\$
Tranche 1	27.3.2013 to 28.2.2014	1.3.2014 to 28.2.2020	2.550
Tranche 2	27.3.2013 to 29.2.2015	1.3.2015 to 28.2.2020	2.550
Tranche 3	27.3.2013 to 29.2.2016	1.3.2016 to 28.2.2020	2.550
Tranche 4	27.3.2013 to 28.2.2017	1.3.2017 to 28.2.2020	2.550

The movements of the share options under the FECIL Share Option Scheme during the two years are as follows:

Grantee	Date of grant	Option type	At		Exercised during the year ended		At	
			1.4.2013	31.3.2014	31.3.2014	31.3.2015	31.3.2015	31.3.2015
Mr. LAI, Wai Keung	21.10.2004	Tranche 3	300,000	(300,000)	-	-	-	-
		Tranche 4	475,000	(100,000)	375,000	(375,000)	-	-
		Tranche 5	525,000	-	525,000	(525,000)	-	-
			<u>1,300,000</u>	<u>(400,000)</u>	<u>900,000</u>	<u>(900,000)</u>		<u>-</u>
Mr. HOONG, Cheong Thard	8.5.2009	Tranche 1	1,850,000	(1,850,000)	-	-	-	-
		Tranche 2	1,850,000	(150,000)	1,700,000	(1,700,000)	-	-
		Tranche 3	1,850,000	-	1,850,000	(300,000)	1,550,000	-
		Tranche 4	1,850,000	-	1,850,000	-	1,850,000	-
	27.3.2013	Tranche 1	750,000	-	750,000	-	750,000	-
		Tranche 2	1,000,000	-	1,000,000	-	1,000,000	-
		Tranche 3	1,250,000	-	1,250,000	-	1,250,000	-
		Tranche 4	2,000,000	-	2,000,000	-	2,000,000	-
		<u>12,400,000</u>	<u>(2,000,000)</u>	<u>10,400,000</u>	<u>(2,000,000)</u>		<u>8,400,000</u>	
Mr. CHAN, Chi Hing	21.10.2004	Tranche 3	500,000	(500,000)	-	-	-	-
		Tranche 4	1,800,000	(1,800,000)	-	-	-	-
		Tranche 5	2,000,000	(2,000,000)	-	-	-	-
	27.3.2013	Tranche 1	525,000	-	525,000	-	525,000	-
		Tranche 2	700,000	-	700,000	-	700,000	-
		Tranche 3	875,000	-	875,000	-	875,000	-
		Tranche 4	1,400,000	-	1,400,000	-	1,400,000	-
			<u>7,800,000</u>	<u>(4,300,000)</u>	<u>3,500,000</u>		<u>3,500,000</u>	
Other employees in aggregate	21.10.2004	Tranche 4	200,000	(200,000)	-	-	-	-
		Tranche 5	400,000	(200,000)	200,000	(200,000)	-	-
			<u>600,000</u>	<u>(400,000)</u>	<u>200,000</u>	<u>(200,000)</u>		<u>-</u>
		<u>22,100,000</u>	<u>(7,100,000)</u>	<u>15,000,000</u>	<u>(3,100,000)</u>		<u>11,900,000</u>	
Weighted average exercise price		<u>2.065</u>	<u>1.913</u>	<u>2.137</u>	<u>1.704</u>		<u>2.250</u>	
Number of options exercisable at the end of the year		<u>13,600,000</u>		<u>7,775,000</u>		<u>6,375,000</u>		

The directors' and employees' entitlement to FECIL's options relate to their services to a number of companies within FECIL including the Company and its subsidiaries. The value of the share option has not been allocated amongst individual companies as the allocation of the services of their directors and employees to the various group companies in FECIL is not feasible.

39. Related Party Transactions

- (a) The Group has rented properties from the Parent Entities. Rental expense during the year amounted to HK\$2,505,000 (2014: HK\$2,505,000).
- (b) The Group entered into four hotel management services contracts for the provision of hotel management services to certain companies in Malaysia which are controlled by a director of the Company. During the year ended 31 March 2015, hotel management services income of HK\$234,000 (2014: nil) was received under these contracts.
- (c) Remuneration paid and payable to the members of key management, who are the directors and the five highest paid individuals, during the year are disclosed in note 17.

40. Summarised Financial Information of the Company

	2015 HK\$'000	2014 HK\$'000
Investments in subsidiaries	313,482	308,110
Derivative financial instruments designated as hedging instruments	–	20,062
Amounts due from subsidiaries	4,327,646	4,561,171
Other assets	163,873	270,278
	<u>4,805,001</u>	<u>5,159,621</u>
Total assets		
Amounts due to subsidiaries	1,158,422	1,162,324
Derivative financial instruments designated as hedging instruments	58,939	–
Bonds	1,005,274	1,002,691
Other liabilities	57,577	56,039
	<u>2,280,212</u>	<u>2,221,054</u>
Total liabilities		
Net assets	<u>2,524,789</u>	<u>2,938,567</u>
Share capital	210,062	209,798
Share premium and reserves (<i>Note</i>)	2,314,727	2,728,769
	<u>2,524,789</u>	<u>2,938,567</u>
Total equity		

Note:

The movement of equity is as follows:

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Hedge reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013	200,000	2,237,153	8,603	–	431,373	2,877,129
Profit for the year	–	–	–	–	96,832	96,832
Fair value adjustments on cross currency swap contracts designated as cash flows hedges (note 27)	–	–	–	28,898	–	28,898
Reclassification of hedge reserve to profit or loss (note 27)	–	–	–	(27,329)	–	(27,329)
Total comprehensive income for the year	–	–	–	1,569	96,832	98,401
Dividends (note 15)	–	–	–	–	(201,514)	(201,514)
Share issued in lieu of cash dividend, net of expenses	9,798	153,154	–	–	–	162,952
Recognition of equity-settled share based payments expenses	–	–	1,599	–	–	1,599
Lapse of share options transferred to retained profits	–	–	(249)	–	249	–
At 31 March 2014	209,798	2,390,307	9,953	1,569	326,940	2,938,567
Loss for the year	–	–	–	–	(192,545)	(192,545)
Fair value adjustments on cross currency swap contracts designated as cash flows hedges (note 27)	–	–	–	(79,001)	–	(79,001)
Total comprehensive expense for the year	–	–	–	(79,001)	(192,545)	(271,546)
Dividends (note 15)	–	–	–	–	(146,892)	(146,892)
Share issued in lieu of cash dividend, net of expenses	264	3,500	–	–	–	3,764
Recognition of equity-settled share based payments expenses	–	–	896	–	–	896
Lapse of share options transferred to retained profits	–	–	(1,978)	–	1,978	–
At 31 March 2015	210,062	2,393,807	8,871	(77,432)	(10,519)	2,524,789

41. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries, which are wholly-owned by the Company, at the end of the reporting period are as follows:

Name of company	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital*	Principal activities
<i>Direct subsidiaries:</i>			
Charter Joy Limited	Hong Kong ("HK")	2 shares of HK\$2 (<i>note</i>)	Hotel operation
Complete Delight Limited	British Virgin Islands ("BVI")/HK	1 share of US\$1	Hotel operation
Cosmopolitan Hotel Limited	HK	10,000 shares of HK\$10,000 (<i>note</i>)	Hotel operation
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of RM1 each	Hotel operation
Double Advance Group Limited	BVI/HK	1 share of US\$1	Hotel operation
Grand Expert Limited	HK	10,000 shares of HK\$10,000 (<i>note</i>)	Hotel operation
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK\$1 (<i>note</i>)	Loan financing
Dorsett Hospitality International Services Limited	HK	2 shares of HK\$2 (<i>note</i>)	Hotel management
Tang Hotel Investments Pte. Ltd.	Singapore	2 shares of S\$1 each	Investment holding and development of residential property and hotel
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK\$10,000 (<i>note</i>)	Hotel operation
Asia Harvest Investments Limited	BVI/HK	1 share of US\$1	Treasury management
<i>Indirect subsidiaries:</i>			
Ching Chu (Shanghai) Real Estate Development Co., Ltd. [#]	PRC	US\$36,000,000*	Hotel management services
Elite Region Limited	BVI/UK	1 share of US\$1	Hotel development
Esmart Management Limited	HK	2 shares of HK\$2 (<i>note</i>)	Hotel management services

Name of company	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital*	Principal activities
Everkent Development Limited	HK	2 shares of HK\$2 (<i>note</i>)	Hotel operation
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of RM1 each	Hotel operation
Novel Orient Investments Limited	HK	1 share of HK\$1 (<i>note</i>)	Hotel development
Panley Limited	HK	1 share of HK\$1 (<i>note</i>)	Hotel operation
Dorsett London Hotel Limited	UK	1 share of GBP1	Hotel development
Richfull International Investment Limited	HK	1 share of HK\$1 (<i>note</i>)	Bar operation
Ruby Way Limited	HK	2 shares of HK\$2 (<i>note</i>)	Hotel operation
Subang Jaya Hotel Development Sdn. Bhd.	Malaysia	245,000,000 shares of RM1 each	Hotel operation
Success Range Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Hotel operation
Tang Suites Pte. Ltd.	Singapore	1,000,000 shares of S\$1 each	Development of residential property
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Hotel operation
九江帝盛酒店管理有限公司 [#]	PRC	US\$16,000,000	Hotel operation
武漢遠東帝豪酒店管理有限公司 [#]	PRC	US\$29,800,000*	Hotel operation
武漢港澳中心物業管理有限公司 ^{##}	PRC	RMB500,000*	Property management services
遠東帝豪酒店管理(成都)有限公司 [#]	PRC	US\$58,000,000*	Hotel development
成都帝盛酒店有限公司 [#]	PRC	RMB100,000*	Hotel operation
上海帝盛酒店有限公司 (formerly known as 麗悅酒店管理(上海) 有限公司) [#]	PRC	RMB2,000,000*	Hotel operation

[#] Wholly-owned foreign enterprise

^{##} Domestic wholly-owned enterprise

Note: There is no par value for these shares upon commencement of the new Hong Kong Companies Ordinance on 3 March 2014.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2015	2014
Investment holding	Hong Kong	5	3
	Malaysia	6	6
	PRC	9	9
	UK	6	5
		26	23
Inactive	Hong Kong	13	10
	Malaysia	2	2
	PRC	3	3
	Singapore	1	1
	UK	5	3
	24	19	

42. Event After the Reporting Period

On 20 May 2015, the board of directors of the Company and FEC jointly announced the privatisation proposal of the Company by Willow Bliss Limited, a wholly-owned subsidiary of FEC. Details of the above proposal put forward by FEC were disclosed in the Company's announcement dated 27 May 2015.

III. INDEBTEDNESS

Debt securities

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Dorsett Group had outstanding unsecured and unguaranteed bonds with carrying value of approximately HK\$1,006 million (the aggregate principal amount outstanding was approximately HK\$1,013 million).

Borrowings

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Dorsett Group had total outstanding secured bank borrowings of approximately HK\$4,748 million and secured bank overdraft of approximately HK\$9 million, of which HK\$4,314 million were guaranteed and all other balances are not covered by a guarantee as at 31 May 2015. The secured borrowings are secured by fixed charges over the property, plant and equipment, prepaid lease payments, investment properties, properties for sale and bank deposits together with a floating charge over other assets of the property owners and benefits accrued to those properties together with the equity interests in certain subsidiaries of the Dorsett Group.

Contingent Liabilities

During the year ended 31 March 2010, HKSAR Hotel initiated a lawsuit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of approximately HK\$14 million. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of approximately HK\$26 million. HKSAR Hotel was disposed of during the year ended 31 March 2013 but the Dorsett Group undertakes to use all reasonable endeavors to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 but no final judgement has been given as at the Latest Practicable Date. In the opinion of the directors of Dorsett, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability is considered necessary.

Save as disclosed in this section headed "III. Indebtedness" and apart from intra-group liabilities, the Dorsett Group did not, as at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

IV. MATERIAL CHANGES

The directors of Dorsett confirm that there has been no material change to the financial and trading position or outlook of the Group since 31 March 2015, the date to which the latest published audited consolidated financial statements of the Dorsett Group were made up.

V. PROPERTY INTERESTS AND ADJUSTED NET ASSET VALUE

The valuation of property interests of the Dorsett Group as at 31 May 2015 have been conducted by independent professional valuers appointed by the Dorsett Group, the details of which can be found in Appendix III to this Scheme Document. The market value of the aforesaid property interests attributable to the Dorsett Group as at 31 May 2015 was approximately HK\$18,269 million in respect of the following categories of property interests:

	<i>HK\$ million</i>
Hotel properties	16,119
Hotels under development	1,220
Investment properties	655
Deposit for acquisition of property, plant and equipment	275
	<u>18,269</u>

Further details of the aforementioned property interests and their corresponding valuation report prepared by the aforementioned independent professional valuers are set out in Appendix III to this Scheme Document.

By taking into account the effect of revaluation surplus arising from the valuation of all the above properties interests, set out below is the calculation of the Adjusted NAV of the Dorsett Group:

	<i>HK\$ million</i>
Audited consolidated NAV as at 31 March 2015 (<i>note 1</i>)	3,829
Net movement (<i>note 2</i>)	<u>11,096</u>
Adjusted NAV (<i>note 3</i>)	<u>14,925</u>
NAV per share as at 31 March 2015 (<i>note 4</i>) (HK\$)	<u>1.82</u>
Adjusted NAV per share (<i>notes 3 and 4</i>) (HK\$)	<u>7.10</u>

Notes:

1. The amount is extracted from the audited consolidated statement of financial position of the Dorsett Group as at 31 March 2015 in this Appendix I to this Scheme Document.
2. The net movement comprises the revaluation surplus of the property interests as at 31 May 2015, being the excess of market value of the property interests as at 31 May 2015 over their corresponding carrying value as at 31 May 2015. The market value and carrying value of overseas property interests were translated to Hong Kong dollars at the prevailing market exchange rates as at 31 May 2015.

No deferred tax liabilities have been provided in relation to the increase in value of hotel properties in the PRC as the tax liabilities can only be ascertained on disposal of the relevant properties.

The net movement does not include the trading results of Dorsett.

3. Adjusted NAV equals the audited consolidated NAV as at 31 March 2015 (the details of which are set out in note 1 above) plus net movement (the details of which are set out in note 2 above).
4. The NAV per share and Adjusted NAV per share are calculated on the basis of 2,100,626,650 and 2,100,626,650 shares of Dorsett being in issue as at 31 March 2015 and the Latest Practicable Date respectively.
5. The Dorsett Board has declared a final dividend of HK\$0.02 per Dorsett Share (the "Dorsett Dividend") for the year ended 31 March 2015 with the Dorsett Shareholders' approval obtained at the annual general meeting of Dorsett held on 27 August 2015. For avoidance of doubt, the Dorsett Dividend is not included in the calculation of the Adjusted NAV of Dorsett.

I. FINANCIAL SUMMARY

The following summary of financial information for each of the three financial years ended 31 March 2013, 2014 and 2015 is extracted from the respective published audited consolidated financial statements of the FEC Group as set forth in the annual report for the years ended 31 March 2013, 2014 and 2015 on pages 59 to 147, pages 59 to 143 and pages 59 to 151, respectively.

The auditors of FEC did not issue any qualified opinion on the financial statements of the FEC Group for each of the three years ended 31 March 2013, 2014 and 2015. There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the FEC Group for each of the three years ended 31 March 2013, 2014 and 2015.

In this appendix, references to “the Company” and “the Group” shall mean FEC and the FEC Group respectively.

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP

Consolidated Statement of Profit or Loss

For the year ended 31 March 2013, 31 March 2014 and 31 March 2015

	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5,109,780	4,066,494	3,732,172
Cost of sales and services	(2,884,377)	(2,298,312)	(2,547,512)
Depreciation and amortisation of hotel and car park assets	<u>(278,985)</u>	<u>(215,210)</u>	<u>(158,010)</u>
Gross profit	1,946,418	1,552,972	1,026,650
Other income	38,794	41,176	16,282
Gain on disposal of a subsidiary	–	66,652	458,358
Other gains and losses	289,549	484,767	217,844
Administrative expenses			
– Hotel operations and management	(402,857)	(317,335)	(274,499)
– Others	(239,140)	(221,092)	(211,622)
Pre-operating expenses			
– Hotel operations and management	(14,080)	(13,596)	(26,107)
Selling and marketing expenses	(92,661)	(69,714)	(85,646)
Share of results of associates	16,746	6,360	73,656
Share of results of joint ventures	9,627	(2,904)	(2,904)
Finance costs	<u>(224,042)</u>	<u>(281,400)</u>	<u>(168,033)</u>
Profit before tax	1,328,354	1,245,886	1,023,979
Income tax expense	<u>(330,406)</u>	<u>(219,851)</u>	<u>54,391</u>
Profit for the year	<u><u>997,948</u></u>	<u><u>1,026,035</u></u>	<u><u>1,078,370</u></u>
Attributable to:			
Shareholders of the Company	956,539	914,057	903,046
Non-controlling interests	<u>41,409</u>	<u>111,978</u>	<u>175,324</u>
	<u><u>997,948</u></u>	<u><u>1,026,035</u></u>	<u><u>1,078,370</u></u>
Earnings per share			
Basic (HK cents)	<u>51</u>	<u>51</u>	<u>50</u>
Diluted (HK cents)	<u>51</u>	<u>51</u>	<u>50</u>
Dividend per share (HK cents)	<u>16</u>	<u>15</u>	<u>13</u>

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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Consolidated Statement of Financial Position

At 31 March 2013, 31 March 2014 and 31 March 2015

	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Investment properties	3,154,315	2,677,607	2,431,917
Property, plant and equipment	7,491,993	7,406,966	6,653,119
Prepaid lease payments	541,476	579,274	595,036
Other assets	–	–	296,250
Goodwill	68,400	68,400	68,400
Interests in associates	326,510	316,184	315,608
Interests in joint ventures	40,708	43,956	47,115
Investment securities	692	11,477	146,604
Derivative financial instruments designated as hedging instruments	–	35,122	–
Deposits for acquisition of property, plant and equipment	130,385	391,826	133,864
Amounts due from associates	70,734	70,774	70,744
Amounts due from joint ventures	27,248	27,295	27,295
Amount due from an investee company	119,995	119,995	119,995
Other receivables	25,319	17	45
Pledged deposits	2,564	2,831	34,788
Deferred tax assets	30,537	33,644	5,000
	12,030,876	11,785,368	10,945,780
Current Assets			
Properties for sale			
Completed properties	200,730	56,734	295,582
Properties for/under development	5,251,611	5,598,333	4,142,719
Other inventories	8,936	9,896	9,034
Prepaid lease payments	15,519	15,947	16,034
Debtors, deposits and prepayments	809,999	653,594	412,836
Other receivables	121,985	685,751	142,365
Tax recoverable	14,461	21,312	87,212
Investment securities	1,150,244	1,011,640	137,982
Derivative financial instruments	2,058	2,238	5,354
Pledged deposits	272,982	173,989	141,516
Restricted bank deposits	51,158	62,568	257,117
Deposit in a financial institution	11,303	78,591	100,000
Time deposits	–	–	12,500
Bank balances and cash	2,273,734	1,829,330	2,620,653
	10,184,720	10,199,923	8,380,904
Assets classified as held for sale	–	–	91,410
	10,184,720	10,199,923	8,472,314

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current Liabilities			
Creditors and accruals	737,344	1,137,842	837,209
Customers' deposits received	575,482	515,027	958,346
Obligations under finance leases	4,038	3,159	158
Amounts due to related companies	45,785	45,785	62,660
Amounts due to associates	10,009	11,358	12,453
Amounts due to non-controlling shareholders of subsidiaries	28,286	29,422	30,070
Convertible bonds	–	32,978	–
Bonds	1,250,000	–	–
Derivative financial instruments	31,542	1,841	20,290
Tax payable	333,053	208,502	185,506
Secured bank borrowings	3,087,051	4,252,487	4,713,839
	6,102,590	6,238,401	6,820,531
Net Current Assets	4,082,130	3,961,522	1,651,783
Total Assets less Current Liabilities	16,113,006	15,746,890	12,597,563
Non-current Liabilities			
Secured bank borrowings	4,467,939	3,270,918	1,904,089
Obligations under finance leases	4,622	4,001	1,010
Convertible bonds	–	–	31,169
Bonds	1,005,274	2,252,691	1,250,000
Derivative financial instruments	58,939	–	–
Derivative financial instruments designated as hedging instruments	–	–	7,593
Deferred tax liabilities	315,303	268,450	253,242
	5,852,077	5,796,060	3,447,103
Net Assets	10,260,929	9,950,830	9,150,460
Capital and Reserves			
Share capital	191,374	184,951	176,891
Share premium	2,982,364	2,802,276	2,617,925
Reserves	5,969,912	5,762,676	5,217,714
Equity attributable to shareholders of the Company	9,143,650	8,749,903	8,012,530
Non-controlling interests	1,117,279	1,200,927	1,137,930
Total Equity	10,260,929	9,950,830	9,150,460

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP
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II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is financial information of the FEC Group as extracted from the published audited financial statements of the FEC Group for the year ended 31 March 2015.

Consolidated Statement of Profit or Loss

For the year ended 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	8	5,109,780	4,066,494
Cost of sales and services		(2,884,377)	(2,298,312)
Depreciation and amortisation of hotel and car park assets		(278,985)	(215,210)
Gross profit		1,946,418	1,552,972
Other income		38,794	41,176
Gain on disposal of a subsidiary	37	–	66,652
Other gains and losses	9	289,549	484,767
Administrative expenses			
– Hotel operations and management		(402,857)	(317,335)
– Others		(239,140)	(221,092)
Pre-operating expenses			
– Hotel operations and management		(14,080)	(13,596)
Selling and marketing expenses		(92,661)	(69,714)
Share of results of associates		16,746	6,360
Share of results of joint ventures		9,627	(2,904)
Finance costs	10	(224,042)	(281,400)
Profit before tax		1,328,354	1,245,886
Income tax expense	11	(330,406)	(219,851)
Profit for the year	12	997,948	1,026,035
Attributable to:			
Shareholders of the Company		956,539	914,057
Non-controlling interests		41,409	111,978
		997,948	1,026,035
Earnings per share	13		
Basic (HK cents)		51	51
Diluted (HK cents)		51	51

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>997,948</u>	<u>1,026,035</u>
Other comprehensive (expense) income for the year		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(446,089)	(162,406)
Revaluation increase on available-for-sale investments	7	694
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	(117,029)	51,550
Reclassification to profit or loss on disposal of available-for-sale investments	235	2,768
Reclassification of hedging reserve to profit or loss	<u>–</u>	<u>(27,329)</u>
Other comprehensive expense for the year	<u>(562,876)</u>	<u>(134,723)</u>
Total comprehensive income for the year	<u><u>435,072</u></u>	<u><u>891,312</u></u>
Total comprehensive income attributable to:		
Shareholders of the Company	481,724	782,291
Non-controlling interests	<u>(46,652)</u>	<u>109,021</u>
	<u><u>435,072</u></u>	<u><u>891,312</u></u>

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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Consolidated Statement of Financial Position

At 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current Assets			
Investment properties	16	3,154,315	2,677,607
Property, plant and equipment	17	7,491,993	7,406,966
Prepaid lease payments	18	541,476	579,274
Goodwill	19	68,400	68,400
Interests in associates	20	326,510	316,184
Interests in joint ventures	21(a)	40,708	43,956
Investment securities	22	692	11,477
Derivative financial instruments designated as hedging instruments	30	–	35,122
Deposits for acquisition of property, plant and equipment		130,385	391,826
Amounts due from associates	23	70,734	70,774
Amounts due from joint ventures	44	27,248	27,295
Amount due from an investee company	44	119,995	119,995
Other receivables	24	25,319	17
Pledged deposits	25	2,564	2,831
Deferred tax assets	34	30,537	33,644
		12,030,876	11,785,368
Current Assets			
Properties for sale	26		
Completed properties		200,730	56,734
Properties for/under development		5,251,611	5,598,333
Other inventories		8,936	9,896
Prepaid lease payments	18	15,519	15,947
Debtors, deposits and prepayments	27	809,999	653,594
Other receivables	24	121,985	685,751
Tax recoverable		14,461	21,312
Investment securities	22	1,150,244	1,011,640
Derivative financial instruments	30	2,058	2,238
Pledged deposits	25	272,982	173,989
Restricted bank deposits	25	51,158	62,568
Deposit in a financial institution	25	11,303	78,591
Bank balances and cash	25	2,273,734	1,829,330
		10,184,720	10,199,923

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current Liabilities			
Creditors and accruals	28	737,344	1,137,842
Customers' deposits received		575,482	515,027
Obligations under finance leases	29	4,038	3,159
Amounts due to related companies	44	45,785	45,785
Amounts due to associates	44	10,009	11,358
Amounts due to non-controlling shareholders of subsidiaries	44	28,286	29,422
Convertible bonds	32	–	32,978
Bonds	33	1,250,000	–
Derivative financial instruments	30	31,542	1,841
Tax payable		333,053	208,502
Secured bank borrowings	31	3,087,051	4,252,487
		6,102,590	6,238,401
Net Current Assets		4,082,130	3,961,522
Total Assets less Current Liabilities		16,113,006	15,746,890
Non-current Liabilities			
Secured bank borrowings	31	4,467,939	3,270,918
Obligations under finance leases	29	4,622	4,001
Bonds	33	1,005,274	2,252,691
Derivative financial instruments	30	58,939	–
Deferred tax liabilities	34	315,303	268,450
		5,852,077	5,796,060
Net Assets		10,260,929	9,950,830
Capital and Reserves			
Share capital	35	191,374	184,951
Share premium		2,982,364	2,802,276
Reserves		5,969,912	5,762,676
Equity attributable to shareholders of the Company		9,143,650	8,749,903
Non-controlling interests	36	1,117,279	1,200,927
Total Equity		10,260,929	9,950,830

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital re-emption reserve HK\$'000	Assets re-valuation reserve HK\$'000	Investment re-valuation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Hedging reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2013	176,891	2,617,925	25,500	13,808	(3,704)	444,511	14,559	(13,593)	1,475,804	3,260,829	8,012,530	1,137,930	9,150,460
Profit for the year	-	-	-	-	-	-	-	-	-	914,057	914,057	111,978	1,026,035
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(159,042)	-	-	-	-	(159,042)	(3,364)	(162,406)
Revaluation increase on available-for-sale investments	-	-	-	694	-	-	-	-	-	-	694	-	694
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	-	-	-	-	-	-	-	44,057	-	-	44,057	7,493	51,550
Reclassify to profit or loss on disposal of available-for-sale investments	-	-	-	-	2,768	-	-	-	-	-	2,768	-	2,768
Reclassification from hedging reserve to profit or loss	-	-	-	-	-	-	-	(20,243)	-	-	(20,243)	(7,086)	(27,329)
Other comprehensive income (expense) for the year	-	-	-	-	3,462	(159,042)	-	23,814	-	-	(131,766)	(2,957)	(134,723)
Total comprehensive income for the year	-	-	-	-	3,462	(159,042)	-	23,814	-	914,057	782,291	109,021	891,312

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital re- demption reserve HK\$'000	Assets re- valuation reserve HK\$'000	Investment re- valuation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Hedging reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Shares issued in lieu of cash dividend	7,240	169,306	-	-	-	-	-	-	-	-	176,546	-	176,546
Shares issued upon exercise of share options	820	15,045	-	-	-	-	-	-	-	-	15,865	-	15,865
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	6,149	-	-	-	6,149	1,599	7,748
Lapse of share options transferred to retained profits	-	-	-	-	-	-	-	-	-	249	249	(249)	-
Dividends recognised as distribution (<i>note 14</i>)	-	-	-	-	-	-	-	-	(250,142)	(250,142)	(250,142)	-	(250,142)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	6,415	-	6,415	(6,415)	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,105	15,105
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(56,064)	(56,064)
At 31 March 2014	184,951	2,802,276	25,500	13,808	(242)	285,469	20,708	10,221	1,482,219	3,924,993	8,749,903	1,200,927	9,950,830

Attributable to equity holders of the Company

	Share capital		Share premium		Capital re-demption reserve		Assets re-valuation reserve		Investment re-valuation reserve		Exchange reserve		Share options reserve		Hedging reserve		Other reserve		Retained profits		Total		Non-controlling interests		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	956,539	-	-	956,539	41,409	-	997,948
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(378,590)	-	-	-	-	-	-	-	-	-	-	-	(67,499)	-	-	(446,089)
Revaluation increase on available-for-sale investments	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(96,467)	-	-	-	-	-	-	-	(20,562)	-	-	(117,029)
Reclassify to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	242	-	(378,590)	-	-	-	(96,467)	-	-	-	-	-	-	-	(88,061)	-	-	(562,876)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	242	-	(378,590)	-	-	-	(96,467)	-	-	-	-	956,539	-	-	(46,652)	-	-	435,072

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Assets re-valuation reserve HK\$'000	Investment re-valuation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Hedging reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Shares issued in lieu of cash dividend	5,692	166,625	-	-	-	-	-	-	-	-	172,317	-	172,317
Shares issued upon exercise of share options	710	12,873	-	-	-	-	-	-	-	-	13,583	-	13,583
Share issued upon conversion of convertible bonds	21	590	-	-	-	-	-	-	-	-	611	-	611
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	4,014	-	-	-	4,014	896	4,910
Lapse of share options transferred to retained profits	-	-	-	-	-	-	-	-	-	1,978	1,978	(1,978)	-
Dividends recognised as distribution (<i>note 14</i>)	-	-	-	-	-	-	-	-	-	(279,734)	(279,734)	-	(279,734)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	3,764	3,764
Deemed disposal of interest in a subsidiary without losing of control	-	-	-	-	-	-	-	-	(746)	-	(746)	746	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(40,424)	(40,424)
At 31 March 2015	191,374	2,982,364	25,500	13,808	-	(93,121)	24,722	(86,246)	1,481,473	4,603,776	9,143,650	1,117,279	10,260,929

Other reserve mainly arises from (a) group reorganisation in 1991 representing the excess of the value of the net assets of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition; (b) gain on decrease in interest in a non-wholly owned listed subsidiary, Dorsett Hospitality International Limited (“Dorsett”); (c) excess of the consideration paid over the net assets attributable to the additional interest in an indirect subsidiary, Care Park Group Pty Limited, acquired; and (d) excess of the net assets attributable to the additional interest in an indirect subsidiary, Dorsett, acquired over the consideration.

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Profit before tax	1,328,354	1,245,886
Adjustments for:		
Share of results of joint ventures	(9,627)	2,904
Share of results of associates	(16,746)	(6,360)
Depreciation and amortisation	294,213	231,113
Dividend from listed and unlisted investments	(4,874)	(12,230)
Interest income	(6,100)	(5,875)
Finance costs	224,042	281,400
Gain on disposal of a subsidiary	–	(66,652)
Gain on partial repurchase of bonds	–	(2,067)
Gain on compensation from relevant government authority of Singapore	–	(258,960)
Gain on reclassification of hedging reserve to profit or loss upon recognition of the hedged item to profit or loss	–	(27,329)
Change in fair value of investment properties	(271,841)	(29,994)
Gain arising on transfer of completed properties for sale to investment properties	(88,023)	(204,258)
Amortisation of issue expenses on convertible bonds	522	771
Loss on disposal of available-for-sale investments	235	2,768
Change in fair value of investments held for trading	10,401	35,733
Change in fair value of derivative financial instruments	7,903	(7,784)
Recognition of share-based payment expenses	4,910	7,748
Loss on disposal of property, plant and equipment	48	474
Allowance for bad and doubtful debts	634	3,067
	1,474,051	1,190,355
Operating cash flows before movements in working capital	1,474,051	1,190,355
Decrease (increase) in properties for sale	64,599	(1,359,796)
Decrease (increase) in other inventories	960	(862)
Decrease (increase) in other receivables	533,259	(37,013)
Increase in debtors, deposits and prepayments	(168,569)	(266,552)
Increase in financial assets at fair value through profit or loss	(141,255)	(921,957)
(Increase) decrease in derivative financial instruments	(915)	1,286
(Decrease) increase in creditors and accruals	(300,322)	356,129
Increase (decrease) in customers' deposits received	60,455	(443,319)
	1,522,263	(1,481,729)
Cash from (used in) operations	1,522,263	(1,481,729)
Income tax paid	(139,951)	(109,875)
	1,382,312	(1,591,604)
Net cash from (used in) operating activities	1,382,312	(1,591,604)

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Investing activities			
Acquisition and development expenditures of property, plant and equipment		(402,352)	(929,954)
Development expenditures and additional cost of investment properties		(53,687)	(25,332)
Deposit paid for acquisition of property, plant and equipment		–	(232,774)
Net cash inflow from disposal of a subsidiary	37	–	173,597
Proceeds from disposal of investments properties		1,100	–
Proceeds from disposal of property, plant and equipment		1,773	480
Proceeds from disposal of other assets		–	41,464
Purchase of available-for-sale investments		–	(726,581)
Proceeds from disposal of available-for-sale investments		3,042	869,423
Placement of pledged bank deposits and restricted bank deposits		(98,726)	(27,882)
Release of pledged bank deposits and restricted bank deposits		11,410	221,915
Release of time deposit with maturity over 3 months		–	12,500
Repayment from a joint venture		12,474	–
Dividend and distribution received from associate and joint venture		6,821	6,039
Dividend received from listed and unlisted investments		4,874	12,230
Bank interest received		6,100	5,875
		(507,171)	(599,000)
Net cash used in investing activities		(507,171)	(599,000)

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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	2015	2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities		
Proceeds from issue of bonds	–	1,050,172
Repurchase of bonds	–	(48,172)
Redemption of convertible bonds	(32,889)	–
Proceeds from issue of shares	13,583	15,865
New bank and other borrowings raised	2,775,605	4,640,103
Repayments of bank and other borrowings	(2,660,348)	(3,676,643)
Payments of finance lease obligation	(391)	(405)
Repayments to related companies	(1,349)	(17,970)
Dividends paid	(107,417)	(73,596)
Dividends paid to non-controlling shareholders of subsidiaries	(36,660)	(40,959)
Interest paid	(393,256)	(419,074)
	<u>(443,122)</u>	<u>1,429,321</u>
Net cash (used in) from financing activities		
Net increase (decrease) in cash and cash equivalents	432,019	(761,283)
Cash and cash equivalents brought forward	1,907,921	2,720,653
Effect of foreign exchange rate changes	(54,903)	(51,449)
	<u>(54,903)</u>	<u>(51,449)</u>
Cash and cash equivalents carried forward	<u>2,285,037</u>	<u>1,907,921</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,273,734	1,829,330
Deposit in a financial institution	11,303	78,591
	<u>2,285,037</u>	<u>1,907,921</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

1. GENERAL

Far East Consortium International Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company and its subsidiaries are together referred to as the Group. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2015 annual report issued by the Company.

The principal activities of the Group are property development, property investment, hotel operations and management, car park operations and securities and financial product investments. The details of the principal subsidiaries are set out in note 47.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁴

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2017
- ³ Effective for annual periods beginning on or after 1 July 2014
- ⁴ Effective for annual periods beginning on or after 1 January 2016
- ⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors of the Company are in the process of assessing the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial positions for the future and/or on the disclosures set out in the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Property inventory is transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. The difference between the fair value and the carrying amount at the date of transfer is recognised in profit or loss.

Property, Plant and Equipment

Property, plant and equipment (other than buildings and hotel under development and construction-in-progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the items of property, plant and equipment (other than buildings and hotel under development and construction-in-progress) less their residual values over their useful lives, using the straight-line method. No depreciation is provided on buildings and hotel under development which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of properties, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset is recognised in profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in assets revaluation reserve. On the subsequent sale or retirement of the asset, the asset revaluation reserve will be transferred directly to retained profits.

When owner occupation of property, plant and equipment ceased from use and are developed for sale in the course of ordinary activities, the property, plant and equipment was transferred to properties held for sale at their carrying amount.

Properties for/under Development

Hotel under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences.

When the building on the leasehold land is in the course of development and the leasehold land component is accounted for as operating lease, the amortisation charge for the leasehold land is included as part of the costs of the buildings under construction during the construction period. If the leasehold land is accounted for as finance lease, the cost of land is included within hotel properties under development.

Properties which are intended for sale after completion of development within the Group's normal operating cycle are stated at the lower of cost and net realisable value. Cost includes costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties. Such properties are recorded as properties for sales under current assets. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to incur in marketing and selling the properties.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases investments in associates and joint ventures

The Group as lessor

Rental income from operating leases is recognised on straight-line basis over the terms of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that

associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties for sale less all estimated costs necessary to make the sale.

Other inventories

Other inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of other inventories are determined on a first-in-first-out basis.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into “financial assets at fair value through profit or loss” (“FVTPL”), “available-for-sale financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition, it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as any of the other categories.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including amounts due from associates, an investee company and joint ventures, debtors, pledged deposits, restricted bank deposits, deposits in financial institutions and bank balances) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When such debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition, it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial instrument: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6.

Other financial liabilities

Other financial liabilities (including creditors, amounts due to related companies, associates and non-controlling shareholders of subsidiaries, bonds and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

When an entity extinguishes a convertible instrument before maturity through repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:

- (a) the amount of gain or loss relating to the liability component is recognised in profit or loss; and
- (b) the amount of consideration relating to the equity component is recognised in equity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedge item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related taxes as follows:

- Revenue from sale of properties is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits under current liabilities.
- Revenue from hotel operations and hotel management service fee are recognised when the relevant services are provided.
- Revenue from car park operations is recognised when the relevant facilities are provided.
- Building management fee income is recognised when the relevant services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliability).

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for "Leasing" above.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate of exchange prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement Benefits Schemes

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Equity-settled Share-based Payment Transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 April 2005

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 April 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment Losses on Tangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of giving rise to a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Fair Value Measurement and Valuation Processes

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 and 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Deferred Tax

The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Group determine whether deferred tax assets would be recognised based on profit projections of the respective group entities and the expected reversal of taxable temporary differences in the coming years. The Group reviews the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the year in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

It is the Group's policy to maintain a strong capital base so as to safeguard the Group's ability to continue as a going concern and to sustain future development of the Group's business. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which includes bank borrowings and bonds, net of bank balances and cash, restricted bank deposits, pledged deposits and deposit in a financial institution), and equity attributable to shareholders of the Company, comprising issued share capital, share premium, reserves, and non-controlling interests.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall structure through issuance of new shares, raising new debts and repayment of existing debts, if necessary.

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP

6. FINANCIAL INSTRUMENTS

A. Categories of Financial Instruments

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Fair value through profit or loss (FVTPL)		
Designated at FVTPL	52,740	7,750
Held for trading	1,097,504	1,011,640
Derivative financial instruments	2,058	37,360
Available-for-sale investments	692	3,727
Loans and receivables (including cash and cash equivalents)	3,300,622	3,064,054
	4,453,616	4,124,531
Financial liabilities		
Fair value through profit or loss (FVTPL)	90,481	1,841
Amortised cost	10,439,388	10,832,637
	10,529,869	10,834,478

B. Financial Risk Management Objectives and Policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, interest bearing receivable and variable-rate bank and other borrowings. The Group has entered into certain interest rate swaps contracts to mitigate the risk of the fluctuation of interest rate on its future interest payments on the bank borrowing which carry interest at Hong Kong Interbank Offered Rates ("HIBOR"), London Interbank Offered Rate ("LIBOR"), HK\$ Prime Lending Rate, People's Bank of China ("PBOC") Prescribed Interest Rate, Singapore Swap Offered Rate ("S\$ SOR"), Malaysia Base Lending Rates ("Malaysia BLR") and Australia Bank Bill Swap Reference Rate ("BBSW"). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section.

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Interest rate sensitivity analysis

The sensitivity analysis considers only borrowings which have significant impact on the consolidated financial statements. The analysis is prepared assuming that the borrowings outstanding at the end of the reporting periods were outstanding for the whole year. 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of next reporting period.

If interest rates had been increased/decreased by 50 basis points (2014: 50 basis points) and all other variables were held constant, the Group's profit after tax would decrease/increase by HK\$17,005,000 (2014: HK\$19,369,000) and the interest capitalised would increase/decrease by HK\$16,540,000 (2014: HK\$13,603,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign currency risk

Certain group entities have transactions denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages the foreign currency risk by entering certain forward foreign exchange contracts closely monitoring the movement of the foreign currency rate.

The carrying amount of the Group's foreign currency denominated monetary items, (other than bonds and derivative financial instruments designated as hedging instruments) at the end of the reporting period are as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Australian Dollar ("A\$")	81,512	62,466
Japanese Yen ("JPY")	6,090	8,131
Renminbi ("RMB")	128,924	92,814
United States Dollar ("US\$")	6,986	15,046
Euro ("EUR")	23,297	6,764
Singapore Dollars ("S\$")	61,393	14,895
Great Britain Pound ("GBP")	206,437	713
	206,437	713

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly on currencies other than US\$ for the individual group entity in Hong Kong since Hong Kong dollars are pegged to US\$ under the Linked Exchange Rate System and the management does not expect any significant exposure in relation to the exchange rate fluctuation between HK\$ and US\$. The following table details the Group's sensitivity to a 10% (2014: 10%) weakening in the HK\$ against the relevant foreign currencies other than US\$, while all other variables are held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end if HK\$ weakens 10% against the relevant foreign currency. For a 10% strengthens in HK\$ against the relevant foreign currencies, these would be an equal and opposite impact on profit.

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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	Increase in profit after tax	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
A\$	6,806	5,216
JPY	508	679
RMB	10,765	7,750
US\$	524	1,128
EUR	1,945	564
S\$	5,126	1,244
GBP	17,237	60
	17,237	60

In the management's opinion, the sensitivity analysis is unrepresentative of the foreign, currency risk as the year end exposure does not reflect the exposure during the year.

Price risk

The Group is exposed to equity price risk and market price risk arising from investment in equity securities and other financial products classified under available-for-sale investments, investment held for trading and derivative financial instruments.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity securities have been 10% (2014: 10%) higher/lower:

- profit after tax would increase/decrease by HK\$96,045,000 (2014: HK\$85,119,000) as a result of the changes in fair value of held-for trading investments.
- investment revaluation reserve would increase/decrease by HK\$69,000 (2014: HK\$372,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to discharge their obligations in relation to each class of recognised financial asset are the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the credit risk is significant reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers, except for the amounts due from an investee company, associates and joint ventures and other receivables, which in aggregate, constitute over 5% (2014: 9%) of the total financial assets. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In determining the recoverability of the amounts due from an investee company, associates and joint ventures, the Group takes into consideration the fair values of the underlying assets of the investee company, associates and joint ventures and the future operation and expected operating cashflows of these investee company, associates and joint ventures. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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The credit risk for pledged deposits, restricted bank deposits, deposit in a financial institution, time deposits and bank deposits are limited because the counterparties are banks or financial institutions with high credit ratings.

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that it maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and external borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year HK\$'000	Over due one to three years HK\$'000	Three to five years HK\$'000	Over five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<i>At 31 March 2015</i>							
Creditors and accruals	N/A	545,044	-	-	-	545,044	545,044
Amounts due to related companies	N/A	45,785	-	-	-	45,785	45,785
Amounts due to associates	N/A	10,009	-	-	-	10,009	10,009
Amounts due to non-controlling shareholders of subsidiaries	N/A	28,286	-	-	-	28,286	28,286
Bank and other borrowing							
Variable interest rate instruments	2.92	3,182,825	2,039,847	2,603,508	187,784	8,013,964	7,554,990
Obligations under finance leases	2.70	4,448	4,938	-	-	9,386	8,660
Bonds	5.875	1,383,614	121,551	1,043,313	-	2,548,478	2,255,274
		5,200,011	2,166,336	3,646,821	187,784	11,200,952	10,448,048
		5,200,011	2,166,336	3,646,821	187,784	11,200,952	10,448,048
	Weighted average interest rate %	On demand or within one year HK\$'000	Over due one to three years HK\$'000	Three to five years HK\$'000	Over five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<i>At 31 March 2014</i>							
Creditors and accruals	N/A	936,998	-	-	-	936,998	936,998
Amounts due to related companies	N/A	45,785	-	-	-	45,785	45,785
Amounts due to associates	N/A	11,358	-	-	-	11,358	11,358
Amounts due to non-controlling shareholders of subsidiaries	N/A	29,422	-	-	-	29,422	29,422
Bank and other borrowing							
Variable interest rate instruments	2.73	4,410,523	3,245,029	2,276,675	245,399	10,177,626	7,523,405
Convertible bonds	3.63	35,322	-	-	-	35,322	32,978
Obligations under finance leases	2.70	3,165	4,286	-	-	7,451	7,160
Bonds	5.93	133,600	1,443,761	1,092,933	-	2,670,294	2,252,691
		5,606,173	4,693,076	3,369,608	245,399	13,914,256	10,839,797
		5,606,173	4,693,076	3,369,608	245,399	13,914,256	10,839,797

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Bank borrowings with a repayment on demand clause are included in the “on demand or within one year” time band in the above maturity analysis. As at 31 March 2015 and 31 March 2014, the aggregate discounted principal amounts of these bank borrowings amounted to HK\$1,460,621,000 and HK\$1,623,614,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The Directors believe that such term loans are expected to be repaid in accordance with the loan repayment schedule which are repayable by yearly instalment up to September 2033 (2014: March 2018). On this basis, the interest and principal cashflows for the Variable interest rate instruments would be as follows:

	On demand or within one year HK\$’000	One to three years HK\$’000	Three to five years HK\$’000	Over five years HK\$’000	Total undiscounted cashflow HK\$’000	Carrying amount HK\$’000
<i>At 31 March 2015</i>						
Variable interest rate instruments	2,689,602	2,389,894	2,718,087	344,618	8,142,201	7,554,990
<i>At 31 March 2014</i>						
Variable interest rate instruments	3,020,339	4,399,894	2,506,849	413,449	10,340,531	7,523,405

The cashflows presented above for variable interest rate financial liabilities is subject to change if changes in interest rates differ from those at the end of the reporting period adopted in the above calculation.

C. Fair Value of Financial Instruments

The fair values of the Group’s financial assets and financial liabilities excluding certain financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Certain financial instruments of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets (liabilities) included in the consolidated statement of financial position		Fair value as at		Fair value hierarchy	Valuation technique and key inputs
		31/3/2015 HK\$’000	31/3/2014 HK\$’000		
1a)	Listed equity securities classified as available-for-sale investments	-	3,035	Level 1	Quoted bid prices in an active market
1b)	Listed equity securities classified as financial assets at fair value through profit or loss	-	5,429	Level 1	Quoted bid prices in an active market

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Financial assets (liabilities) included in the consolidated statement of financial position		Fair value as at		Fair value hierarchy	Valuation technique and key inputs
		31/3/2015 HK\$'000	31/3/2014 HK\$'000		
2a)	Listed debt securities classified as financial assets at fair value through profit or loss	576,837	245,616	Level 1	Quoted bid prices in an active market
2b)	Unlisted debt securities classified as financial assets at fair value through profit or loss	64,468	—	Level 2	Discounted cash flows Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter
3)	Investment funds classified as financial assets at fair value through profit or loss	456,199	760,595	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets (mainly listed securities) of the funds
4)	Structured deposits classified as financial assets at fair value through profit or loss	52,740	7,750	Level 3	Discounted cash flows Future cash flows are estimated based on applying the expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the bank
5)	Call/put options in listed equity securities and foreign currencies classified as derivative financial instruments	Assets – 790 Liabilities – (3,737)	Assets – 2,238 Liabilities – (1,841)	Level 2	Discounted cash flows Future cash flows are estimated based on applying the expected yields of foreign currency and equity security by banks and a discount rate that reflects the credit risk of the bank
6)	Foreign currency forward contracts classified as derivative financial instruments	Assets – 1,268 Liabilities – (394)	–	Level 2	Discounted cash flow analysis Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

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Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at	Fair value	Fair value	Valuation technique and key
	31/3/2015	31/3/2014	hierarchy	inputs
	<i>HK\$'000</i>	<i>HK\$'000</i>		
7) Interest rate swap contracts classified as derivative financial instruments	(4,518)	-	Level 2	Discounted cash flow analysis Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rate, discounted at a rate that reflects the credit risk of various counterparties
8) Cross currency swaps classified as derivative financial instruments designated as hedging instruments	(81,832)	35,122	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward exchange and interest rates, discounted at a rate that reflects the credit risk of various counterparties

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2015 and 31 March 2014.

Reconciliation of Level 3 fair value measurements of financial assets

	<i>HK\$'000</i>
At 1 April 2013 and 31 March 2014	7,750
Purchase	171,000
Transfer out	(126,010)
	52,740
At 31 March 2015	52,740

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data under discounted cash flow in respect of structured deposits classified as financial assets at fair value through profit or loss, as the management consider that the exposure is insignificant to the Group.

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7. SEGMENT INFORMATION

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision maker. Information reported to the Group's chief operating decision makers, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the property development, property investment, hotel operations and management, and car park operations in each of the geographical locations as stated below, securities and financial product investments and other operations, which mainly include provision of engineering services and second mortgage loans.

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 3. Segment profit (loss) represents the pre-tax earned (incurred) by each segment without allocation of central administrative costs, directors' salaries and certain finance costs.

(A) SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Segment revenue		Segment profit (loss)	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development				
– Australia	1,243,825	958,509	261,025	268,444
– Hong Kong (“HK”)	1,073,583	14,573	465,545	46,112
– Malaysia	–	86	(3,967)	(2,813)
– Other regions in People’s Republic of China excluding HK (“PRC”)	644,707	615,660	481,884	351,558
– United Kingdom (“UK”)	–	–	1,885	(365)
	2,962,115	1,588,828	1,206,372	662,936
Property investment				
– HK	36,747	33,548	92,147	56,531
– PRC	14,014	13,662	(26,490)	(27,716)
– Singapore	5,355	12,031	(13,068)	256,119
	56,116	59,241	52,589	284,934
Operations of Dorsett Hospitality International Limited (“Dorsett”) and its subsidiaries, including hotel operations and management, property development and investments and securities and financial product investments				
– HK	815,603	733,388	146,248	174,638
– Malaysia	264,399	310,003	46,485	58,890
– PRC	196,968	169,959	(37,210)	(69,913)
– Singapore (note)	102,606	572,500	31,256	262,647
– UK	74,451	–	(20,295)	(11,571)
	1,454,027	1,785,850	166,484	414,691

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	Segment revenue		Segment profit (loss)	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Car park operations				
– Australia	600,349	595,752	51,149	57,697
– Malaysia	15,774	16,776	6,241	6,772
	616,123	612,528	57,390	64,469
Securities and financial product investments	21,075	19,937	(20,618)	17,914
Other operations	324	110	5,733	(5,822)
Segment revenue/segment profit	<u>5,109,780</u>	<u>4,066,494</u>	1,467,950	1,439,122
Unallocated corporate expenses			(80,035)	(79,097)
Finance costs			(59,561)	(114,139)
Profit before tax			1,328,354	1,245,886
Income tax expense			(330,406)	(219,851)
Profit for the year			<u>997,948</u>	<u>1,026,035</u>

None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer contributed over 10% of the total revenue of the Group.

note: The segment revenue and segment profit (loss) of this segment for the year ended 31 March 2014 include the sale of properties in Singapore amounting to HK\$498,392,000 and HK\$131,506,000, respectively.

(B) SEGMENT ASSETS

The following is an analysis of the Group's assets by reportable segment as at the end of the reporting period. Segment assets represent assets held by each segment without allocation of corporate assets which are mainly bank balances and cash and deposit in a financial institution.

	2015	2014
	HK\$'000	HK\$'000
Property development		
– Australia	1,845,047	2,197,602
– HK	1,405,863	1,632,401
– Malaysia	394,732	383,806
– PRC	2,626,878	2,261,219
– UK	300,056	223,138
	6,572,576	6,698,166
Property investment		
– HK	2,751,823	2,149,237
– PRC	4,578	4,657
– Singapore	86,638	507,150
	2,843,039	2,661,044

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	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operations of Dorsett and its subsidiaries, including hotel operations and management, property development and investments and securities and financial product investments		
– HK	4,868,673	5,082,139
– Malaysia	968,052	1,071,002
– PRC	2,223,323	2,286,087
– Singapore	827,573	880,293
– UK	942,576	934,554
	9,830,197	10,254,075
Car park operations		
– Australia	559,266	683,177
– Malaysia	143,847	149,807
	703,113	832,984
Securities and financial product investments	468,957	507,243
Other operations	179,811	315,136
Segment assets	20,597,693	21,268,648
Unallocated corporate assets	1,617,903	716,643
Total assets	22,215,596	21,985,291

(C) GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the operating location and (ii) the Group's non-current assets by location of assets.

	Revenue from external		Non-current assets	
	customers			
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK	1,948,978	801,557	5,819,482	5,400,498
PRC	855,689	799,281	2,671,696	2,594,886
Australia	1,842,528	1,554,261	687,864	742,872
Malaysia	280,173	326,864	1,018,956	1,112,146
Singapore	107,961	584,531	666,647	749,602
UK	74,451	–	889,142	884,209
	5,109,780	4,066,494	11,753,787	11,484,213

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(D) OTHER INFORMATION

The following table sets out amounts included in the measure of segment profit or loss or segment assets:

	2015						Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Hotel operations and management HK\$'000	Car park operations HK\$'000	Securities and financial product investments HK\$'000	Other operations HK\$'000	
Allowance for bad and doubtful debts	(364)	(252)	(18)	-	-	-	(634)
Depreciation and amortisation	(719)	(7,913)	(259,850)	(20,106)	-	(5,625)	(294,213)
Change in fair value of investment properties	116,097	89,997	65,747	-	-	-	271,841
Change in fair value of investments held for trading	-	-	-	-	(10,401)	-	(10,401)
Loss on disposal of available-for-sale investments	-	-	-	-	(235)	-	(235)
Change in fair value of derivative financial instruments	-	-	(4,131)	-	(3,772)	-	(7,903)
Gain (loss) on disposal of property, plant and equipment	-	-	794	(842)	-	-	(48)
Share of results of associates	-	16,746	-	-	-	-	16,746
Share of results of joint ventures	-	-	-	-	-	9,627	9,627
Interests in associates	-	266,547	59,963	-	-	-	326,510
Interests in joint venture	32,339	2,561	-	-	-	5,808	40,708
	<u>32,339</u>	<u>2,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,808</u>	<u>40,708</u>
	2014						Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Hotel operations and management HK\$'000	Car park operations HK\$'000	Securities and financial product investments HK\$'000	Other operations HK\$'000	
Allowance for bad and doubtful debts	(2,362)	(372)	(333)	-	-	-	(3,067)
Depreciation and amortisation	(841)	(10,995)	(196,474)	(19,878)	-	(2,925)	(231,113)
Increase in fair value of investment properties	58,010	45,372	130,870	-	-	-	234,252
Change in fair value of investments held for trading	-	-	(18,242)	-	(17,491)	-	(35,733)
Loss on disposal of available-for-sale investments	-	-	-	-	(2,768)	-	(2,768)
Increase in fair value of derivative financial instruments	-	-	676	-	15,943	-	16,619
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss	-	-	27,329	-	-	-	27,329
Gain (loss) on disposal of property, plant and equipment	-	6	(233)	(99)	-	(148)	(474)
Gain on disposal of a subsidiary	66,652	-	-	-	-	-	66,652
Gain on partial repurchase bonds	-	-	2,067	-	-	-	2,067
Gain on compensation from relevant government authority of Singapore	-	258,960	-	-	-	-	258,960
Share of results of associates	-	6,321	-	-	-	39	6,360
Share of results of joint ventures	-	-	-	-	-	(2,904)	(2,904)
Interests in associates	-	256,221	59,963	-	-	-	316,184
Interests in joint venture	32,339	-	-	-	-	11,617	43,956
(Disposal) addition of non-current assets (excluding of financial instrument)	(258)	33,439	873,182	63,958	-	1,567	971,888
	<u>(258)</u>	<u>33,439</u>	<u>873,182</u>	<u>63,958</u>	<u>-</u>	<u>1,567</u>	<u>971,888</u>

Information about segment liabilities are not regularly reviewed by chief operating decision makers. Accordingly, segment liability information is not presented.

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8. REVENUE

Revenue represents the aggregate amount of proceeds from sale of properties, gross rental from leasing of properties, income from hotel operations and management, car park operations and provision of property management services, interest income and dividend income from financial instruments and other operations as set out as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	2,930,316	2,060,217
Leasing of properties	132,779	121,561
Hotel operations and management	1,372,422	1,221,814
Car park operations	617,351	612,528
Provision of property management services	13,690	13,302
Interest income and dividend income from financial instruments	42,898	36,962
Other operations	324	110
	5,109,780	4,066,494
	5,109,780	4,066,494

9. OTHER GAINS AND LOSSES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of investment properties	271,841	29,994
Loss on disposal of available-for-sale investments	(235)	(2,768)
Change in fair value of investments held for trading	(10,401)	(35,733)
Gain arising on transfer of completed properties for sale to investment properties	88,023	204,258
Change in fair value of derivative financial instruments	(7,903)	16,619
Gain on reclassification of hedging reserve to profit or loss upon recognition of the hedged item to profit or loss	–	27,329
Gain on compensation from relevant government authority of Singapore (<i>note</i>)	–	258,960
Gain on partial repurchase of bonds	–	2,067
Net foreign exchange loss	(51,094)	(12,418)
Allowance for bad and doubtful debts	(634)	(3,067)
Loss on disposal of property, plant and equipment	(48)	(474)
	289,549	484,767
	289,549	484,767

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note:

On 24 April 2013, the Group accepted compensation totalling S\$88,900,000 (equivalent to HK\$554,736,000) offered by the relevant government authority of Singapore (the "Singapore Government") in connection with compulsory acquisition of certain properties of the Group located in Singapore. The carrying amount of such properties being derecognised amounted to HK\$295,776,000 at 24 April 2013. The difference between the compensation amount accepted by the Group and the carrying amount was recognised in the profit or loss. Up to 31 March 2015, the Group received compensation of S\$73,844,000 (equivalent to HK\$454,776,000) (2014: S\$6,645,000 (equivalent to HK\$40,601,000)) from the Singapore Government and the remaining balance of S\$15,056,000 (equivalent to HK\$84,791,000) (2014: S\$82,255,000 (equivalent to HK\$505,868,000)) to be received by the Group is included in other receivables (note 24).

10. FINANCE COSTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings		
– wholly repayable within five years	254,610	274,681
– not wholly repayable within five years	19,632	29,290
Other loans wholly repayable within five years	1,017	2,897
Convertible bonds	1,128	2,252
Finance leases	9	15
Interest on bonds	136,618	136,978
Less: Net interest income from cross currency swap contracts	(24,030)	(26,303)
Amortisation of front-end fee	5,257	17,881
Others	3,576	2,431
	397,817	440,122
Total interest costs	397,817	440,122
Less: Amounts capitalised to properties under development:		
– investment properties	(14,672)	(4,054)
– properties for owners' occupation	(28,531)	(31,354)
– properties for sale	(127,240)	(123,314)
– construction-in-progress	(3,332)	–
	224,042	281,400

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 5.875% to 6% (2014: nil) per annum to expenditure on the qualifying assets.

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11. INCOME TAX EXPENSE

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	74,241	35,445
PRC Enterprise Income Tax ("PRC EIT")	95,585	81,993
PRC Land Appreciation Tax ("PRC LAT")	33,262	31,912
Australia Income Tax	69,002	37,409
Malaysia Income Tax	6,050	5,786
Singapore Income Tax	95	24,889
	278,235	217,434
 (Over) underprovision in prior years:		
Hong Kong Profits Tax	(235)	3,273
Australia Income Tax	(297)	(17,516)
Malaysia Income Tax	165	122
Singapore Income Tax	(1,825)	(521)
	(2,192)	(14,642)
 Deferred taxation (<i>note 34</i>)	 54,363	 17,059
	330,406	219,851

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year of each individual company comprising the Group less tax losses brought forward where applicable.

PRC EIT is calculated in accordance with the EIT Law and Implementation Regulations of the EIT Law at the rate of 25%.

PRC LAT is levied at the deemed levying rates in accordance with the relevant PRC Tax laws and regulations.

The domestic statutory tax rate of Australia, Malaysia and Singapore is 30%, 25% and 17% of the estimated assessable profit for the year.

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The income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss as follows:

	Hong Kong HK\$'000	PRC HK\$'000	Australia HK\$'000	Malaysia HK\$'000	Singapore HK\$'000	Other HK\$'000	Consolidated HK\$'000
2015							
Profit before tax	591,072	426,600	227,867	47,013	30,317	5,485	1,328,354
Applicable income tax rate	16.5%	25%	30%	25%	17%	16.5% to 35%	
Tax at the applicable income tax rate	97,527	106,650	68,360	11,753	5,154	1,725	291,169
Tax effect of expenses not deductible for tax purpose	29,142	17,770	34,949	4,643	4,675	(438)	90,741
Tax effect of income not taxable	(38,476)	(20,230)	(17,731)	(3,970)	(2,293)	(1,287)	(83,987)
PRC LAT	-	33,262	-	-	-	-	33,262
Tax effect of PRC LAT	-	(8,316)	-	-	-	-	(8,316)
Tax effect of deductible temporary difference not recognised	3,448	16,026	-	(1,379)	-	-	18,095
Tax effect of tax losses not recognised	9,343	25,354	4	-	491	-	35,192
Utilisation of tax losses not previously recognised	(21,738)	(4,770)	-	(4,765)	(2,213)	-	(33,486)
Tax effect of share of results of associates	(2,763)	-	-	-	-	-	(2,763)
Tax effect of share of results of joint ventures	(422)	(1,666)	-	-	-	-	(2,088)
Underprovision in prior years	(235)	-	(297)	165	(1,825)	-	(2,192)
Others	(4,024)	(300)	(736)	547	(708)	-	(5,221)
Income tax expense for the year	71,802	163,780	84,549	6,994	3,281	-	330,406

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	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Other <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2014							
Profit before tax	108,228	255,785	308,465	60,944	518,534	(6,070)	1,245,886
Applicable income tax rate	16.5%	25%	30%	25%	17%	16.5% to 35%	
Tax at the applicable income tax rate	17,858	63,946	92,539	15,236	88,151	(696)	277,034
Tax effect of expenses not deductible for tax purpose	41,233	10,700	67,020	3,464	3,396	2,766	128,579
Tax effect of income not taxable	(37,407)	(1,586)	(19,670)	(1,567)	(66,502)	(2,070)	(128,802)
Utilisation of deductible temporary difference not recognised	-	-	-	-	(161)	-	(161)
PRC LAT	-	31,912	-	-	-	-	31,912
Tax effect of PRC LAT	-	(7,978)	-	-	-	-	(7,978)
Tax effect of deductible temporary difference not recognised	7,085	-	-	482	-	-	7,567
Tax effect of tax losses not recognised	12,034	17,100	4	-	-	-	29,138
Tax effect of tax losses recognised	-	-	-	(26,817)	-	-	(26,817)
Utilisation of tax losses not previously recognised	(5,205)	-	(56,889)	(12,571)	-	-	(74,665)
Tax effect of share of results of associates	(1,049)	-	-	-	-	-	(1,049)
Tax effect of share of results of joint ventures	-	(639)	-	-	-	-	(639)
Underprovision in prior years	3,273	-	(17,516)	122	(521)	-	(14,642)
Others	838	(464)	-	-	-	-	374
Income tax expense (credit) for the year	38,660	112,991	65,488	(21,651)	24,363	-	219,851

Details of the deferred taxation are set out in note 34.

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12. PROFIT FOR THE YEAR

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Cost of properties sold recognised as an expense	1,866,590	1,332,282
Auditor's remuneration	11,942	11,400
Depreciation		
– Operations of Dorsett and its subsidiaries	249,685	187,003
– Car park operations	20,106	19,878
– Others	13,662	14,164
	283,453	221,045
Amortisation of prepaid lease payments	10,760	10,632
Less: amount capitalised to properties under development for owners' occupation	–	(564)
	10,760	10,068
Amortisation of investment in a joint venture (included in share of results of joint ventures)	2,904	2,904
Allowance for bad and doubtful debts	634	3,067
Staff costs		
– Directors' emolument (<i>note 15(a)</i>)	24,430	18,918
– Other staff	588,539	549,370
– Share-based payment expense	2,410	3,791
	615,379	572,079
Share of taxation of associates (included in share of results of associates)	1,473	1,196
and after crediting:		
Rental income, net of outgoings of HK\$23,407,000 (2014: HK\$49,524,000)	109,372	72,037
Dividend income from:		
– Investment held for trading	4,787	12,086
– Available-for-sale investments	87	144
	4,874	12,230
Bank interest income	6,100	5,875

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13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the consolidated profit for the year attributable to the shareholders of the Company of HK\$956,539,000 (2014: HK\$914,057,000) and the number of shares calculated as follows:

	2015	2014
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,874,579	1,800,908
Effect of dilutive potential ordinary shares		
– Company’s share options	4,841	4,776
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,879,420	1,805,684

The computations of diluted earnings per share for both years did not assume the conversion of the Company’s outstanding convertible bonds since their exercise would result in an increase in earnings per share. In addition, the computations for both years did not assume the exercise of its indirect subsidiary Dorsett’s share options as the exercise prices of those options are higher than the average market prices of the Dorsett’s shares for both years.

14. DIVIDENDS

	2015	2014
	<i>HK\$’000</i>	<i>HK\$’000</i>
Dividends recognised as distribution during the year:		
2015 interim dividend of HK3 cents per share (2014: 2014 interim dividend of HK3 cents per share)	57,018	55,133
2014 final dividend of HK12 cents per share (2014: 2013 final dividend of HK11 cents per share)	222,716	195,009
	279,734	250,142

A final dividend for the year ended 31 March 2015 of HK13 cents (2014: HK12 cents) per share has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

Shareholders have an option to elect cash in lieu of new shares of the Company for the dividend proposed and paid during the year. Shares issued during the year on the shareholders’ election for shares are set out in note 35.

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15. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(A) DIRECTORS' AND CHIEF EXECUTIVE EMOLUMENTS

The emoluments paid and payable to each of the Directors of the Company were as follows:

Name of directors	Fees <i>HK\$'000</i>	Salaries, bonuses and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Share-based payment expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the year ended 31 March 2015</i>					
<i>Executive Directors:</i>					
David CHIU	25	2,283	18	-	2,326
Dennis CHIU	25	1,248	56	-	1,329
Craig Grenfell WILLIAMS	25	7,164	228	-	7,417
Denny Chi Hing CHAN	25	2,575	18	1,072	3,690
Chris Cheong Thard Hoong	25	7,527	18	1,428	8,998
<i>Non-executive Directors:</i>					
Daniel Tat Jung CHIU (<i>note</i>)	10	-	-	-	10
<i>Independent Non-executive Directors:</i>					
Kwok Wai CHAN	220	-	-	-	220
Peter Man Kong WONG	220	-	-	-	220
Kwong Siu LAM	220	-	-	-	220
	<u>795</u>	<u>20,797</u>	<u>338</u>	<u>2,500</u>	<u>24,430</u>

note: Daniel Tat Jung CHIU resigned as non-executive Director on 28 August 2014.

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Name of directors	Fees <i>HK\$'000</i>	Salaries, bonuses and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Share-based payment expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the year ended 31 March 2014</i>					
<i>Executive Directors:</i>					
David CHIU	25	2,268	15	-	2,308
Dennis CHIU	25	1,257	71	-	1,353
Craig Grenfell WILLIAMS	25	4,473	231	-	4,729
Denny Chi Hing CHAN	25	1,732	15	1,705	3,477
Chris Cheong Thard Hoong	25	4,134	15	2,252	6,426
<i>Non-executive Directors:</i>					
Daniel Tat Jung CHIU	25	-	-	-	25
<i>Independent Non-executive Directors:</i>					
Kwok Wai CHAN	200	-	-	-	200
Peter Man Kong WONG	200	-	-	-	200
Kwong Siu LAM	200	-	-	-	200
	<u>750</u>	<u>13,864</u>	<u>347</u>	<u>3,957</u>	<u>18,918</u>

Mr. David CHIU is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

Performance related incentive payment was paid/payable to Craig Grenfell WILLIAMS of HK\$4,574,500 (2014: HK\$1,525,000) and Chris Cheong Thard Hoong of HK\$3,923,000 (2014: nil), and included in salaries and other benefits, which is determined with reference to his performance.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 March 2015 and 31 March 2014.

- (B) Certain executive and non-executive directors of the Company were granted options to subscribe for shares in the Company and Dorsett under the share option schemes adopted by the Company and Dorsett. Details of the share option schemes are disclosed in note 45.

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(C) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: three) were directors whose emoluments are disclosed above. The remuneration of the remaining one (2014: two) individuals was as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other benefits	2,765	9,360
Retirement benefit scheme contributions	18	15
Share-based payment expenses	104	187
	<u>2,887</u>	<u>9,562</u>

Their emoluments were within the following bands:

	2015 <i>Number of employee</i>	2014 <i>Number of employees</i>
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$4,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	–	1
	<u>1</u>	<u>2</u>

No emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

16. INVESTMENT PROPERTIES

	Completed properties <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	1,901,917	530,000	2,431,917
Additions	513	28,873	29,386
Transfer to property, plant and equipment (note 17)	(74,802)	–	(74,802)
Transfer from completed properties for sales	270,069	–	270,069
Increase (decrease) in fair value	86,867	(56,873)	29,994
Exchange alignment	(8,957)	–	(8,957)
	<u>2,175,607</u>	<u>502,000</u>	<u>2,677,607</u>
At 31 March 2014	2,175,607	502,000	2,677,607
Additions	4,522	63,837	68,359
Disposals	(1,100)	–	(1,100)
Reclassify from properties for sales	169,000	–	169,000
Increase in fair value	244,678	27,163	271,841
Exchange alignment	(31,392)	–	(31,392)
	<u>2,561,315</u>	<u>593,000</u>	<u>3,154,315</u>
At 31 March 2015	2,561,315	593,000	3,154,315

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	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
The carrying amount of investment properties which are stated at fair value are on land located:		
In Hong Kong:		
Long leases	703,976	612,827
Medium-term leases	1,261,003	991,268
Outside Hong Kong:		
Freehold	69,146	76,791
Long leases	169,764	188,496
Medium-term leases	950,426	808,225
	<u>3,154,315</u>	<u>2,677,607</u>

The Group is in the process of obtaining the title of certain completed investment properties located in the PRC with carrying amount of HK\$50,000,000 (2014: nil).

During the year ended 31 March 2015, the Group changed the intention of use of certain properties under development and reclassified as investment properties at fair value.

During the year ended 31 March 2014, the Group transferred certain completed properties for sales to investment properties at fair value HK\$270,069,000 upon change in use, which was evidenced by commencement of operating leases.

During the year ended 31 March 2014, the Group changed the use of certain investment properties, which were accordingly transferred from investment properties to property, plant and equipment at their fair value on the date of transfer.

The fair value of the completed investment properties and investment properties under development in HK and outside HK at 31 March 2015, 31 March 2014 and at the date of transfer have been arrived at on the basis of a valuation carried out on that date based on the following independent firm of qualified professional valuers not connected to the Group:

Location of the investment properties	Independent qualified professional valuers	Qualification
Australia	CBRE Valuations Pty Limited DTZ Australia (VIC) Pty Limited	Member of the Australian Property Institute
Hong Kong/PRC	DTZ Debenham Tie Leung Limited	Member of the Hong Kong Institute of Surveyors
Malaysia	Raine & Horne International Zaki + Partners Sdn. Bhd.	Registered valuer in Malaysia
Singapore	Savills Valuation and Professional Services (S) Pte Ltd	Member of the Singapore Institute of Surveyors and Valuers

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The valuation of the completed investment properties, which falls under level 3 of the fair value hierarchy, was arrived at by reference to market evidence of transaction prices for similar properties at similar locations or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, the market rentals of all lettable units of the properties are made reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted for the valuer's knowledge of factors specific to the respective properties.

The valuation of the investment properties under development, which falls under level 3 of the fair value hierarchy, has been arrived at by using direct comparison approach with reference to comparable properties as available in the market with adjustments made to account for the differences and with due allowance for development costs, and indirect costs that will be expended to complete the development as well as developer's risks associated with the development of the property at the valuation date and the return that the developer would require for bringing them to the completion status, which is determined by the valuers, based on its analyses of recent land transactions and market value of similar completed properties in the relevant locations.

The carrying amounts of investment properties under development at the end of the reporting period includes capitalised interest expense of HK\$28,457,000 (2014: HK\$13,785,000).

The fair value measurement of Group's major investment properties and information about the fair value hierarchy at 31 March 2015 and 31 March 2014 are as follows:

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and market rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value of the investment properties, and vice versa. A significant increase in the monthly unit rent would result insignificant increase in the fair value and vice versa.

Details of the significant unobservable input under the income capitalisation approach are as follows:

Class of property	Capitalisation rates	Market rent
Office portion in Hong Kong	3% to 3.75% per annum (2014: 3% to 3.75% per annum)	HK\$35 to HK\$37 per square feet (2014: HK\$26 to HK\$40 per square feet)
Shops in Hong Kong	3% to 5% per annum (2014: 3% to 5% per annum)	HK\$11.5 to HK\$240 per square feet (2014: HK\$10 to HK\$234 per square feet)
Retail portion in the PRC	6% to 8.5% per annum (2014: 6% to 8.5% per annum)	RMB33 to RMB197 per square metre (2014: RMB33 to RMB197 per square metre)
Office portion in the PRC	4.5% per annum (2014: 4.5% per annum)	RMB41 to RMB45 per square metre (2014: RMB41 to RMB45 per square metre)
Shops in Australia	5.75% to 10.5% per annum (2014: 7% to 10.5% per annum)	A\$601 to A\$1,906 per square metre (2014: A\$610 to A\$1,844 per square metre)

Shops in Singapore were valued under direct comparison approach, market unit rate is one of the key inputs. The adopted market unit rate for shops in Singapore is S\$46,885 (2014: S\$47,664) per square metre. A significant increase in market unit rate would result in a significant increase in the fair value and vice versa.

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The key inputs used in valuing the investment properties under development under direct comparison approach were the gross development value and developer's profit. The adopted gross development value is HK\$17,000 (2014: HK\$16,500) per square feet with the developer's profit of 10% (2014: 10%). If the gross development value is higher, the fair value increase. If estimated cost of complete or the developer's estimated profit margin for risk is higher, the fair value decreases.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. PROPERTY, PLANT AND EQUIPMENT

	Properties		Leasehold improvements, furniture, and fixtures equipment	Construction in-progress	Total
	Completed	Under development			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 April 2013	4,428,310	2,371,285	571,214	–	7,370,809
Additions	63,618	818,123	60,761	–	942,502
Transfer upon completion of development	1,685,087	(2,055,150)	370,063	–	–
Transfer from investment properties (note 16)	28,442	46,360	–	–	74,802
Disposals	–	–	(8,245)	–	(8,245)
Exchange alignment	(114,373)	63,088	(23,083)	–	(74,368)
	<u>6,091,084</u>	<u>1,243,706</u>	<u>970,710</u>	<u>–</u>	<u>8,305,500</u>
At 31 March 2014	6,091,084	1,243,706	970,710	–	8,305,500
Additions	349,844	171,548	151,542	24,604	697,538
Transfer upon completion of development	604,901	(608,233)	3,332	–	–
Disposals	–	–	(5,363)	–	(5,363)
Exchange alignment	(276,133)	(71,899)	(46,882)	–	(394,914)
	<u>6,769,696</u>	<u>735,122</u>	<u>1,073,339</u>	<u>24,604</u>	<u>8,602,761</u>
At 31 March 2015	6,769,696	735,122	1,073,339	24,604	8,602,761
DEPRECIATION AND IMPAIRMENT					
At 1 April 2013	537,381	–	180,309	–	717,690
Provided for the year	136,759	–	84,286	–	221,045
Eliminated on disposals	–	–	(7,291)	–	(7,291)
Exchange alignment	(20,621)	–	(12,289)	–	(32,910)
	<u>653,519</u>	<u>–</u>	<u>245,015</u>	<u>–</u>	<u>898,534</u>
At 31 March 2014	653,519	–	245,015	–	898,534
Provided for the year	173,603	–	109,850	–	283,453
Eliminated on disposals	–	–	(3,542)	–	(3,542)
Exchange alignment	(45,951)	–	(21,726)	–	(67,677)
	<u>781,171</u>	<u>–</u>	<u>329,597</u>	<u>–</u>	<u>1,110,768</u>
At 31 March 2015	781,171	–	329,597	–	1,110,768
CARRYING VALUES					
At 31 March 2015	<u>5,988,525</u>	<u>735,122</u>	<u>743,742</u>	<u>24,604</u>	<u>7,491,993</u>
At 31 March 2014	<u>5,437,565</u>	<u>1,243,706</u>	<u>725,695</u>	<u>–</u>	<u>7,406,966</u>

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The carrying amounts of hotels, other properties and car parks shown above comprise:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and building in Hong Kong		
Long leases	468,598	480,619
Medium-term leases	2,858,576	2,803,209
Freehold land and building outside Hong Kong	2,125,783	2,260,132
Building on leasehold land outside Hong Kong		
Long leases	320,965	371,063
Medium-term leases	949,725	766,248
	6,723,647	6,681,271
	6,723,647	6,681,271

Leasehold lands are depreciated over the term of the lease of land. Completed buildings are depreciated on a straight-line basis over their useful lives ranging from 25 to 50 years or the remaining term of the lease of land of 25 to 65 years, whichever is the shorter. Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum. No depreciation is provided on freehold land and buildings under development.

The carrying amounts of properties under development at the end of the reporting period includes capitalised interest expense of HK\$18,432,000 (2014: HK\$20,584,000).

The Group is in the process of obtaining the title of certain completed hotel properties located outside Hong Kong with carrying amount of HK\$292,688,000 (2014: HK\$305,306,000).

Included in leasehold improvements, furniture, fixtures and equipment is an aggregate carrying amount of HK\$1,104,000 (2014: HK\$1,482,000) in respect of assets held under finance leases.

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18. PREPAID LEASE PAYMENTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	595,221	611,070
Amortisation	(10,760)	(10,632)
Exchange alignment	(27,466)	(5,217)
	556,995	595,221
The carrying value represents leasehold land outside Hong Kong:		
Long-term leases with lease period of 99 years	285,538	310,335
Medium-term leases with lease period of 35 years	271,457	284,886
	556,995	595,221
Analysed for reporting purposes as:		
Non-current asset	541,476	579,274
Current asset	15,519	15,947
	556,995	595,221

19. GOODWILL

Goodwill arose from the acquisition of 73.75% equity interest in certain subsidiaries, which are engaged in car park operations, in previous year.

The management determines that there is no impairment on the carrying amount of the goodwill based on the estimated cash generated from the car park operations. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-years period, and at a discount rate of 17%. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeding its recoverable amount.

20. INTERESTS IN ASSOCIATES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	86,539	86,539
Share of post-acquisition results, net of dividends received	239,971	229,645
	326,510	316,184

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Particulars of principal associates, which are incorporated and operating in Hong Kong except otherwise indicated, at the end of the reporting period are as follows:

Name of associate	Class of shares held	Registered capital/ Proportion of nominal value of issued capital held by the Company indirectly		Principal activities
		2015	2014	
Bermuda Investments Limited	Ordinary	25	25	Property investment
Cosmopolitan Resort (Zhuji) Limited ("Zhuji") [#]	N/A	18	18	Property development
Kanic Property Management Limited	Ordinary	50	50	Building management
Omicron International Limited*	Ordinary	30	30	Investment holding
Peacock Estates Limited	Ordinary	25	25	Property investment

[#] Sino-foreign joint venture established and operating in the PRC

* Incorporated in British Virgin Islands

The above table lists the associates of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

The summarised financial information in respect of the associates that are not individually material to the Group at and for each of the year ended 31 March 2015 and 31 March 2014 attributable to the Group's interest, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The Group's share of profit after tax	<u>16,746</u>	<u>6,360</u>
The Group's share of total comprehensive income	<u>16,746</u>	<u>6,360</u>

The Group has discontinued to recognise its share of losses of certain associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The unrecognised share of losses for the year	<u>(26)</u>	<u>(28)</u>
Cumulative unrecognised share of losses	<u>(50,321)</u>	<u>(50,295)</u>

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21. INTERESTS IN JOINT VENTURES

(A) JOINT VENTURES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	49,764	52,668
Share of post-acquisition results, net of dividends/distributions received	31,895	32,239
Less: Impairment	<u>(40,951)</u>	<u>(40,951)</u>
	<u>40,708</u>	<u>43,956</u>

Particulars of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of entity	Country of registration/ incorporation and operation	Proportion of registered capital held by the Company indirectly		Principal activities
		2015	2014	
商丘永遠公路有限公司 Shangqiu Yongyuan Development Company Limited ("Shangqiu Yongyuan") (<i>note</i>)	PRC	68%	68%	Operation of highway
Guangdong Xin Shi Dai Real Estate Limited	PRC	50%	50%	Property development
Raeon International Limited	HK	25%	-	Real estate agency

note: The entity is established, under a joint venture agreement, for the construction and operation of a highway for a term of 21 years commencing from 31 July 1997. The Group is entitled to 85% of the profits from operation of the highway until the Group has recouped in full its investment cost from the distribution by the entity. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until the joint venture partner has recouped in full its investment cost, which is the agreed fair value of the land contributed to the entity. Thereafter, both parties' entitlement to the share of profit is in proportion to their respective contribution. On expiry of the joint venture period, the joint venture will be dissolved and all remaining undistributed assets will be surrendered to the PRC party. Accordingly, the Group's cost of investment in the joint venture is amortised over the joint venture period.

The entity is accounted for as joint venture although the Group's interest is more than 50% as the Group and the other equity owner jointly control the operating and financial policies of the entity under a contractual arrangement.

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The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the year ended 31 March 2015 and 31 March 2014 attributable to the Group's interest is as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of profit (loss) after tax	9,627	(2,904)
The Group's share of total comprehensive income (expense)	9,627	(2,904)

The Directors of the Company assessed the expected future cash flows expected to be generated by joint ventures and an impairment loss of HK\$40,951,000 was provided against the interests in joint ventures.

(B) JOINT OPERATION

- (i) During the year ended 31 March 2015, a subsidiary of the Group as developer (the "Developer") has entered into development agreement ("Agreement") with Urban Renewal Authority ("URA") in form of joint operation to engage in residential/commercial property development and sales in Hong Kong. Under the Agreement, the Developer is mainly responsible for the development of the project. Units in the development will be sold or disposed of by URA in accordance with the terms and conditions of the Agreement and sales proceeds arising therefrom will be distributed between URA and the Developer pursuant to the terms and conditions of the Agreement.
- (ii) Assets with a carrying value of HK\$69,705,746 (2014: Nil) recognised in the consolidated financial statements as at 31 March 2015 in relation to the joint operation, representing the upfront payment to URA, and included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.
- (iii) During the year ended 31 March 2012, the Group entered into an agreement with a related company to jointly develop certain portion of the Group's freehold land with fair value, as agreed between the parties, of Malaysian Ringgit ("RM\$") 65,000,000 (equivalent to HK\$165,000,000). The related company is responsible for the provision of technical, commercial and financial management of the development on the land and marketing the properties on completion of their development and bears all the related cost and expenses of the development. The development activities and the sales of the completed properties are directed by the related company's board of directors, of which the Group and the related company have equal number of representatives throughout the joint operation period. The Group and the related company will share the profit or loss (representing revenue from sale less the fair value of the land, development costs and marketing expenses of the completed properties) from the development on a 50:50 basis.

Assets with a carrying amount of RM\$8,800,000, equivalent to HK\$18,392,000 (2014: RM\$8,800,000, equivalent to HK\$21,030,000) recognised in the consolidated financial statements as at 31 March 2015 in relation to the joint operations, representing the cost of the freehold land and included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.

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22. INVESTMENT SECURITIES

(I) AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities (note 6.c.):		
Hong Kong	–	3,035
Unlisted:		
Equity securities	4	4
Club membership	688	688
	692	692
	692	3,727

(II) FINANCIAL ASSETS AT FVTPL

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments held for trading		
Equity securities listed overseas	–	5,429
Listed debt securities	576,837	245,616
Unlisted debt securities	64,468	–
Investment funds	456,199	760,595
	1,097,504	1,011,640
Financial assets designated at fair value through profit or loss		
Structured deposits	52,740	7,750
	1,150,244	1,019,390
Total	1,150,936	1,023,117
Analysed for reporting purposes as:		
Non-current assets	692	11,477
Current assets	1,150,244	1,011,640
	1,150,936	1,023,117
	1,150,936	1,023,117

Investment in investment funds represent pool investments, comprising equity and debts securities in various markets.

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23. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and the Group does not expect for repayment within the next twelve months from the end of the reporting period.

In determining the recoverability of the amounts due from associates, the Group takes into consideration the fair values of the underlying assets, the future operation and cashflows of the associates.

24. OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Compensation receivable (<i>note 9</i>)	84,791	505,868
Promissory notes receivable and accrued interest	–	149,626
Loans receivables	62,513	30,303
	147,304	685,797
Less: Amount due within one year and classified under current assets		
– Other receivables	(121,985)	(685,751)
– Debtors, deposits and prepayments	–	(29)
	(121,985)	(685,780)
Amount due after one year	25,319	17

Promissory notes with aggregate principal amount of US\$17,500,000 (equivalent to HK\$135,625,000) as at 31 March 2014 represents the balance of the consideration receivable in connection with the disposal of certain properties located outside Hong Kong to an independent third party in February 2010. The notes, together with interest being accrued at the rate of 2% per annum in the first year and 4% per annum thereafter, were due on maturity in February 2014 and were received in May 2014.

The loan receivables mainly represented the second mortgage loans with carrying amount of HK\$33,551,000 (2014: nil) and secured by the properties of the borrowers. The second mortgage loans bear interest at prime rate minus 1.5% for first two years and prime rate plus 0.5% for the remaining loan period. The remaining loans of HK\$28,962,000 (2014: HK\$30,303,000) are secured, interest-free and repayable on demand.

In determining the recoverability of loans receivable, the Group considers any change in the credit quality of the borrowers and the value of the underlying properties under mortgage. The Directors of the Company believe that there is no further provision required.

25. BANK DEPOSITS, DEPOSIT IN A FINANCIAL INSTITUTION, BANK BALANCES AND CASH

Pledged deposits included in non-current assets carry interest at rates ranging from 0.00% to 0.43% (2014: 0.05% to 0.50%) per annum. These deposits are pledged to secure bank loans repayable after one year.

The pledged deposits shown under current assets carry interest at market rates ranging from 0.06% to 3.10% (2014: 0.05% to 0.50%) per annum. These deposits, with maturity dates ranging from 1 to 6 months, are pledged to secure bank borrowings repayable within one year.

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Restricted bank deposits represents custody deposits paid in banks in relation to certain banking facility arrangements of the Group and deposits can be solely applied for settlement of development cost of designated property projects.

Deposit in a financial institution carries interest at rates ranging from 0.00% to 0.10% (2014: 0.00% to 0.10%).

Bank deposits with maturity of less than three months and bank balances carry interest at market rates ranging from 0.00% to 3.90% (2014: 0.00% to 3.40%) per annum.

26. PROPERTIES FOR SALE

Included in properties for sale are properties with carrying value of HK\$4,266,620,000 (2014: HK\$3,716,383,000) which are not expected to be realised within the next twelve months.

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	154,654	162,886
Advance to contractors	9,139	5,909
Utility and other deposits	35,153	69,145
Receivable from stakeholders	417,096	242,164
Prepayment and other receivables	193,957	173,490
	<u>809,999</u>	<u>653,594</u>

The following is an aged analysis of trade debtors based on the invoice date which approximated the respective revenue recognition date, at the end of the reporting period:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	76,427	77,229
61 – 90 days	4,388	3,776
Over 90 days	73,839	81,881
	<u>154,654</u>	<u>162,886</u>

Trade debtors aged over 60 days are past due but are not impaired.

Trade debtors mainly represent receivable from renting of properties, use of hotel facilities and sales of properties. Rentals are payable on presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements. Included in trade debtors is an amount of S\$12,040,000 (equivalent to HK\$67,906,000) (2014: S\$12,040,000 (equivalent to HK\$74,169,000)) which represents the portion of the proceeds that have been settled by the buyers and are being held in escrow account. The funds were remitted to the Group upon the issuance of relevant certificate by the government authorities in Singapore, which is expected to be taken place within one year after the end of the reporting period.

In determining the recoverability of trade debtors, the Group considers the subsequent settlement and any change in the credit quality of the debtors from the date credit was initially granted up to

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the end of each of the reporting period. There is no concentration of credit risk due to the large and unrelated customer base. The management believes that there is no further credit provision required in excess of the allowance already made.

Allowance for doubtful debts on the trade debtors and the movements during the year are as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	10,774	10,055
Impairment losses recognised	634	1,134
Amount written off as uncollectible	(363)	(415)
	11,045	10,774
	11,045	10,774

28. CREDITORS AND ACCRUALS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Creditors and accruals</i>		
Trade creditors		
– Construction cost and retention payable	205,746	115,442
– Others	70,857	67,488
	276,603	182,930
Construction cost and retention payable for capital assets	104,937	145,661
Rental and reservation deposits and receipts in advance	49,389	50,928
Payable to brokers for the purchase of securities	10,540	2,085
Balance of consideration for the acquisition of properties for development in Australia	–	360,903
Other payable and accrued charges	295,875	395,335
	737,344	1,137,842
	737,344	1,137,842

The following is an aged analysis of the trade creditors:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	198,730	146,821
61 – 90 days	1,590	1,832
Over 90 days	76,283	34,277
	276,603	182,930
	276,603	182,930

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29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	4,448	3,162	4,038	3,159
In more than one year but not more than five years	<u>4,938</u>	<u>4,286</u>	<u>4,622</u>	<u>4,001</u>
	9,386	7,448	8,660	7,160
Less: Future finance charges	<u>(726)</u>	<u>(288)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><u>8,660</u></u>	<u><u>7,160</u></u>	<u><u>8,660</u></u>	<u><u>7,160</u></u>
Less: Amount due within one year shown under current liabilities			<u>(4,038)</u>	<u>(3,159)</u>
Amount due after one year			<u><u>4,622</u></u>	<u><u>4,001</u></u>

It is the Group's policy to lease certain of its motor vehicles and equipment under finance leases. The average lease terms range from 1 to 5 years. The average borrowing rates for the year is 2.70% (2014: 2.70%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate, at the end of the reporting period approximates to their carrying amount.

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30. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Designated under hedge accounting				
Cross currency swap contracts <i>(note 1)</i>	–	35,122	(81,832)	–
Designated not under hedge accounting				
Interest rate swap contracts <i>(note 2)</i>	–	–	(4,518)	–
Call/put options in listed equity securities and foreign currencies <i>(note 3)</i>	790	2,238	(3,737)	(1,841)
Forward foreign exchange contracts <i>(note 4)</i>	1,268	–	(394)	–
	<u>2,058</u>	<u>37,360</u>	<u>(90,481)</u>	<u>(1,841)</u>
Analysed for reporting purpose as:				
Current	2,058	2,238	(31,542)	(1,841)
Non-current	–	35,122	(58,939)	–
	<u>2,058</u>	<u>37,360</u>	<u>(90,481)</u>	<u>(1,841)</u>

notes:

(1) Cross currency swap contracts

The Group has entered into cross currency swap contracts to reduce its exposure to the current exchange rate fluctuation in relation to 2016 Bonds and 2018 Bonds issued by the Group as set out in note 33. Upon issuance of the bonds, these cross currency swap contracts were designated as hedging instruments against the variability of cash flows arising from the bonds.

During the year, the fair value losses arising from the cross currency swap contracts of HK\$117,029,000 (2014: fair value gain of HK\$51,550,000) were recognised in other comprehensive income. During the year ended 31 March 2014, an amount of gain of HK\$27,329,000 was reclassified from hedge reserve to profit or loss in the periods when the hedged item is recognised to profit or loss.

Major terms of cross currency swap contracts at 31 March 2015 and 31 March 2014 are set out below:

(i)	Date of contract:	26 February 2013
	Effective date:	4 March 2013
	Notional amount:	RMB250,000,000
	Maturity:	4 March 2016
	Interest payment:	Receive interest at a fixed rate of 5.875% per annum based on the RMB notional amount and pay interest at fixed rate of 4.65% per annum on USD40,178,075 semi-annually
	Principal exchanged amount:	USD40,178,075

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(ii)	Date of contract: 25 February 2013 Effective date: 4 March 2013 Notional amount: RMB750,000,000 Maturity: 4 March 2016 Interest payment: Receive interest at a fixed rate of 5.875% per annum based on the RMB notional amount and pay interest at fixed rate of 4.675% per annum on USD120,365,912 semi-annually Principal exchanged amount: USD120,365,912
(iii)	Date of contract: 25 March 2013 Effective date: 3 April 2013 Notional amount: RMB476,500,000 Maturity: 3 April 2018 Interest payment: Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.97% per annum on USD76,817,669 semi-annually Principal exchanged amount: USD76,817,669
(iv)	Date of contract: 27 March 2013 Effective date: 3 April 2013 Notional amount: RMB333,500,000 Maturity: 3 April 2018 Interest payment: Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.952% per annum on USD53,738,318 semi-annually Principal exchanged amount: USD53,738,318

(2) Interest rate swap contracts

The interest rate swap contracts were entered into by the Group for the purpose of reducing its exposure to the risk of interest rate fluctuation of the bank borrowings outstanding at the end of the reporting period. The interest rate swap contracts were not accounted for under hedge accounting. The major terms of the interest rate swap contracts at 31 March 2015 are set out below:

(i)	Date of contract: 15 May 2014 Effective date: 19 May 2014 Notional amount: US\$10,000,000 Maturity: 19 May 2024 with an option of early termination by the Group Interest payment: Pay interest at a fixed rate of 2.65% and receive interest at 3 months LIBOR
(ii)	Date of contract: 12 February 2015 Effective date: 17 February 2015 Notional amount: US\$2,000,000 Maturity: 2 July 2017 Interest payment: Pay interest at a fixed rate of 1.20% and receive interest at 3 months LIBOR
(iii)	Date of contract: 12 February 2015 Effective date: 17 February 2015 Notional amount: US\$2,000,000 Maturity: 24 January 2018 Interest payment: Pay interest at a fixed rate of 1.282% and receive interest at 3 months LIBOR

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(3) Call and put options represent rights to purchase or sell listed equity securities or foreign currencies with predetermined prices on maturity. Duration of these contracts ranges from one to three months.

(4) The forward foreign exchange contracts were entered into by the Group for the purpose of reducing its exposure to foreign currency. These forward foreign exchange contracts were not accounted for under hedge accounting. The major terms of the contracts at 31 March 2015 are set out below:

(i)	Notional amount:	Aggregate amount of US\$8,641,569
	Maturity:	April 2015
	Forward contract rate:	Buy US\$/sell EUR at 0.895 to 0.921
(ii)	Notional amount:	EUR5,364,510
	Maturity:	April 2015
	Forward contract rate:	Buy EUR/sell US\$ at 0.923
(iii)	Notional amount:	US\$712,462
	Maturity:	April 2015
	Forward contract rate:	Buy US\$/sell S\$ at 0.726

31. SECURED BANK BORROWINGS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	7,572,750	7,543,836
Less: front-end fee	<u>(17,760)</u>	<u>(20,431)</u>
	<u>7,554,990</u>	<u>7,523,405</u>
Analysed for reporting purpose as:		
Current liabilities	3,087,051	4,252,487
Non-current liabilities	<u>4,467,939</u>	<u>3,270,918</u>
	<u>7,554,990</u>	<u>7,523,405</u>
The borrowings repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
On demand or within one year	2,566,620	2,809,980
More than one year, but not exceeding two years	525,747	1,462,728
More than two years, but not exceeding five years	4,179,277	2,915,286
More than five years	<u>301,106</u>	<u>355,842</u>
	<u>7,572,750</u>	<u>7,543,836</u>

The carrying amounts of the borrowings include an amount of HK\$521,021,000 (2014: HK\$1,462,938,000) which is not repayable within one year based on scheduled repayment dates has, however, been shown under current liabilities as the counterparties have a discretionary rights to demand immediate repayment.

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Bank loans which are denominated in various currencies are analysed below:

Currencies	Interest rates	2015 HK\$'000	2014 HK\$'000
HK\$	HIBOR plus 1.55% to 3.00% (2014: HIBOR plus 0.80% to 3.00%)	4,627,086	4,731,362
RMB	100% of 1 years PBOC Prescribed Interest rate to 130% of 1 to 3 years PBOC Prescribed Interest Rate (2014: 100% of 1-year PBOC Prescribed Interest Rate to 130% of 1 to 3 years PBOC Prescribed Interest Rate)	1,122,080	1,119,022
S\$	S\$ SOR plus 1.20% (2014: S\$ SOR plus 1.25% to 1.85%)	366,600	398,100
RM\$	Malaysia BLR minus 1.50% to Malaysia BLR plus 1.25% to 1.50% (2014: Malaysia BLR minus 1.50%, Malaysia BLR plus 1.25% to 1.50%)	280,636	325,938
A\$	Australia BBSW plus 1.45% to 2.50% (2014: Australia BBSW plus 1.45% to 2.50%)	892,378	712,054
GBP	LIBOR plus 2.80% (2014: LIBOR plus 2.80%)	255,567	257,360
US\$	0.6% per annum above Bank's Cost of Funds	28,403	–
		<u>7,572,750</u>	<u>7,543,836</u>

32. CONVERTIBLE BONDS

	2015 HK\$'000	2014 HK\$'000
At 1 April	32,978	31,169
Amortised interest charged to profit or loss	1,128	2,252
Payment of coupon interest	(1,128)	(1,214)
Amortisation of issue expenses	522	771
Converted into shares	(611)	–
Redemption	(32,889)	–
At 31 March	<u>–</u>	<u>32,978</u>
Analysed for reporting purpose as:		
Current liabilities	<u>–</u>	<u>32,978</u>

The convertible bonds carry interest at 3.625% and are convertible, at the option of the holders, into ordinary shares of HK\$0.10 each of the Company at an adjusted conversion price of HK\$2.94 per share.

During the year, an aggregate principal amount of HK\$611,000 (2014: nil) of the convertible bonds were converted into ordinary share of the Company. The remaining outstanding convertible bonds has redeemed at the principal value together with accrued interests on 5 March 2015.

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33. BONDS

	2016	2018	Total
	Bonds	Bonds	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2013	1,250,000	–	1,250,000
Issue of bonds	–	1,062,500	1,062,500
Transaction cost	–	(12,328)	(12,328)
Repurchase during the year	–	(50,239)	(50,239)
Interest charged during the year	74,699	62,279	136,978
Interest paid during the year	(74,030)	(61,263)	(135,293)
Exchange adjustments	(669)	1,742	1,073
	<hr/>	<hr/>	<hr/>
At 31 March 2014	1,250,000	1,002,691	2,252,691
Interest charged during the year	73,647	62,971	136,618
Interest paid during the year	(75,472)	(61,852)	(137,324)
Exchange adjustments	1,825	1,464	3,289
	<hr/>	<hr/>	<hr/>
At 31 March 2015	<u>1,250,000</u>	<u>1,005,274</u>	<u>2,255,274</u>

2016 BONDS

On 4 March 2013, the Company issued bonds with aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,250,000,000) at the issue price of 100% of the principal amount with a maturity of three years due on 4 March 2016 (the “2016 Bonds”) to independent third parties. The 2016 Bonds bear interest at rate of 5.875% per annum payable semi-annually. As at 31 March 2015 and 31 March 2014, the aggregate principal amount of 2016 Bonds outstanding was RMB1,000,000,000 (equivalent to HK\$1,250,000,000 as at 31 March 2015 and 31 March 2014).

2018 BONDS

On 3 April 2013, Dorsett issued bonds with aggregate principal amount of RMB850,000,000 (equivalent to HK\$1,062,500,000) at issue price of 100% of the principal amount with maturity date on 3 April 2018 (the “2018 Bonds”) to independent third parties. The 2018 Bonds bear interest at 6% per annum payable semi-annually. As at 31 March 2015 and 31 March 2014, the aggregate principal amount of 2018 bonds outstanding was RMB810,340,000 (equivalent to HK\$1,012,925,000 as at 31 March 2015 and 31 March 2014).

The principal terms of 2016 Bonds and 2018 Bonds:

- a) Other than during the closed period and subject to the terms of the paying agency agreement in respect of the 2016 Bonds and 2018 Bonds, the bonds are transferable without restrictions.
- b) Unless previously redeemed or purchased and cancelled, the Company and Dorsett will redeem each 2016 Bonds and 2018 Bonds at 100% at its principal amount together with unpaid accrued interest on the maturity date.
- c) At any time the Company and Dorsett may, having given not less than 30 nor more than 60 days’ notice to the bondholders in accordance with the terms and conditions of the 2016 Bonds and 2018 Bonds (which notice shall be irrevocable) redeem all, and not some only, of the 2016 Bonds and 2018 Bonds at their principal amount together with interest accrued to the date fixed for redemption on the redemption date as a result of any change in, or amendment to, the applicable tax laws or regulations of the Cayman Islands or Hong Kong.

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- d) When a change of control occurs with respect to the Company and Dorsett, the bond holder of each 2016 Bonds and 2018 Bonds will have the right at such holder's option, to require the Company and Dorsett to redeem all or some only of that holder's 2016 Bonds and 2018 Bonds at 101% of their principal amount together with interest accrued to the date fixed for redemption.
- e) The 2016 Bonds and 2018 Bonds will constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the 2016 Bonds and 2018 Bonds) unsecured obligations of the Company and Dorsett and shall at all times rank pari passu and without any preference or priority among themselves.

Details of the issue of the 2016 Bonds and 2018 Bonds were disclosed in the Company's circular dated 25 February 2013 and Dorsett's circular dated 25 March 2013, respectively.

During the year ended 31 March 2014, Dorsett partially repurchased a principal amount of RMB39,660,000 (equivalent to HK\$49,972,000) of the 2018 Bonds with carrying amount of RMB39,832,000 (equivalent to HK\$50,239,000) at a consideration of HK\$48,172,000. The gain on partial repurchase of the 2018 Bonds of HK\$2,067,000 was recognised in profit or loss.

34. DEFERRED TAXATION

The major deferred tax (assets) liabilities recognised by the Group, and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Revaluation of assets <i>HK\$'000</i>	Fair value adjustments on business combination <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	63,133	82,147	85,691	40,486	(19,207)	(4,008)	248,242
Charge (credit) to profit or loss	10,856	7,815	(1,701)	(1,245)	(31,182)	32,516	17,059
Exchange alignment	-	(10,258)	(15,813)	-	60	(4,484)	(30,495)
At 31 March 2014	73,989	79,704	68,177	39,241	(50,329)	24,024	234,806
Charge (credit) to profit or loss	2,171	22,671	(149)	(1,245)	11,653	19,262	54,363
Exchange alignment	-	(1,063)	(6,182)	-	9,063	(6,221)	(4,403)
At 31 March 2015	<u>76,160</u>	<u>101,312</u>	<u>61,846</u>	<u>37,996</u>	<u>(29,613)</u>	<u>37,065</u>	<u>284,766</u>

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financing reporting purposes:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax assets	(30,537)	(33,644)
Deferred tax liabilities	<u>315,303</u>	<u>268,450</u>
	<u>284,766</u>	<u>234,806</u>

The Group recognises deferred tax in respect of the change in fair value of the investment properties located in the PRC, as these properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in these investment properties over the time, i.e. through usage of such properties for rental purpose.

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At 31 March 2015, the Group has unused tax losses of HK\$1,164,537,000 (2014: HK\$1,145,956,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$150,198,000 (2014: HK\$237,019,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$1,014,339,000 (2014: HK\$908,937,000) due to the unpredictability of future profit streams.

At 31 March 2015, the Group has deductible temporary difference of HK\$419,060,000 (2014: HK\$352,200,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for on the temporary differences attributable to profits of the PRC subsidiaries of HK\$1,091,085,000 (2014: HK\$773,629,000) generated after 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised:	4,000,000,000	400,000
Issued and fully paid:		
At 1 April 2013	1,768,909,536	176,891
Issue of shares in lieu of cash dividends	72,404,902	7,240
Issue upon exercise of share option at HK\$2.075 per share	6,200,000	620
Issue upon exercise of share option at HK\$1.50 per share	2,000,000	200
At 31 March 2014	1,849,514,438	184,951
Issue of shares in lieu of cash dividends	56,918,279	5,692
Issue upon exercise of share option at HK\$2.075 per share	5,100,000	510
Issue upon exercise of share option at HK\$1.50 per share	2,000,000	200
Issue of share in lieu of convertible bond at HK\$2.94 per share	204,081	21
At 31 March 2015	1,913,736,798	191,374

On 27 February 2015, the Company issued and allotted 12,925,110 new fully paid shares of HK\$0.10 each at HK\$3.018 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2015 interim dividend pursuant to the scrip dividend scheme announced by the Company on 26 November 2014. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 24 October 2014, the Company issued and allotted 43,993,169 new fully paid shares of HK\$0.10 each at HK\$3.03 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2014 final dividend pursuant to the scrip dividend scheme announced by the Company on 26 June 2014. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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On 14 February 2014, the Company issued and allotted 8,813,915 new fully paid shares of HK\$0.10 each at HK\$2.917 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2014 interim dividend pursuant to the scrip dividend scheme announced by the Company on 27 November 2013.

On 24 October 2013, the Company issued and allotted 63,590,987 new fully paid shares of HK\$0.10 each at HK\$2.372 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2013 final dividend pursuant to the scrip dividend scheme announced by the Company on 19 June 2013.

All the shares issued during the two years ended 31 March 2015 rank pari passu in all respects with the existing shares in the Company.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

36. NON-CONTROLLING INTERESTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets of subsidiaries	1,128,970	1,190,567
Share options reserve of subsidiaries	8,871	9,953
Hedging reserve	(20,562)	407
	1,117,279	1,200,927
	1,117,279	1,200,927

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37. DISPOSAL OF A SUBSIDIARY

- (a) On 8 October 2013, the Group disposed of its entire equity interest in Far East Golf International Ltd to an independent third party (the “Purchaser”) for the consideration of HK\$160,017,000.

The net assets disposed of were as follows:

	<i>HK\$'000</i>
Assets classified as held for sale	91,410
Deposits and prepayment	547
Accruals	<u>(12)</u>
Net assets disposed of	<u><u>91,945</u></u>
Gain on disposal:	
Consideration	160,017
Transaction and other direct cost incurred	<u>(1,420)</u>
Consideration received	158,597
Net assets disposed of	<u>(91,945)</u>
Gain on disposal	<u><u>66,652</u></u>
Net cash inflow arising from disposal of a subsidiary	
Consideration received, net of transaction cost	<u><u>158,597</u></u>

- (b) In prior years, the Group disposed of its entire equity interest in Hong Kong (SAP) Hotel Limited to an independent third party for consideration of HK\$801,532,000. During the year ended 31 March 2014, the group has received the consideration of HK\$15,000,000.

38. MAJOR NON-CASH TRANSACTIONS

The Company issued shares in lieu of cash dividend payable to the Company’s shareholders totalling HK\$172,317,000 (2014: HK\$176,546,000).

During the year, the Group entered into finance lease arrangements for acquisition of asset with a total capital value at the inception of the leases of HK\$1,882,000 (2014: HK\$6,382,000).

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39. CHARGE ON ASSETS

Bank and other loans with aggregate amount of HK\$7,572,750,000 (2014: HK\$7,543,836,000) outstanding at the end of the reporting period are secured by a fixed charge over the following assets of the Group and together with a floating charge over other assets of the property owners and benefits accrued to those properties:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	2,619,115	2,083,704
Property, plant and equipment	5,336,021	5,482,237
Prepaid lease payments	551,288	588,919
Properties for sale	3,132,363	2,571,939
Bank deposits	275,546	176,820
	<u>11,914,333</u>	<u>10,903,619</u>

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of reporting period.

40. CONTINGENT LIABILITIES

- (1) During the year ended 31 March 2014, Management Corporation Strata Title No. 512 ("MCST 512") filed the notice of appeal to High Court in Singapore against Tang City Holdings Pte. Ltd., a subsidiary of the Company in Singapore, claiming for the benefit and/or revenue relating to the unauthorised additions to the floor area in the Singapore Properties under Compulsory Acquisition amounted to S\$23,492,000 (equivalent to HK\$144,710,000). There is no final judgement up to the date of this report. In the opinion of the Directors of the Company, after consultation with the lawyer, MCST 512's appeal is not premised upon any strong basis and it is unlikely to succeed. As such, no provision for potential liability has been made in the consolidated financial statements.
- (2) During the year ended 31 March 2010, HKSAR Hotel initiated a lawsuit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK\$14,356,000. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK\$25,841,000. HKSAR Hotel was disposal of during the year ended 31 March 2013 but the Group undertakes to use all reasonable endeavours to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 and further adjourned to August 2013. Both HKSAR Hotel and the Contractor have filed the closing submissions and the reply submissions in September 2013 and October 2013. There is no final judgement up to the date of this report. In the opinion of the Directors of the Company, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

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41. CAPITAL COMMITMENTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	259,477	153,281
Others	83,761	107,679
	343,238	260,960
Capital expenditure authorised but not contracted for in respect of:		
Development and refurbishment of hotel properties	210,346	22,750
Others	11,069	16,474
	221,415	39,224
	564,653	300,184

42. OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSOR:

At the end of the reporting period, investment properties and properties for sale with carrying amount of HK\$2,560,885,000 (2014: HK\$2,175,607,000) and HK\$71,345,000 (2014: HK\$23,788,000) respectively were let out under operating leases. Gross rental income earned during the year is HK\$132,779,000 (2014: HK\$121,561,000) of which HK\$128,116,000 (2014: HK\$110,810,000) was derived from letting of investment properties.

At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	88,907	89,719
In the second to fifth year inclusive	189,793	165,859
More than five years	113,578	77,481
	392,278	333,059

Leases are negotiated and rentals are fixed for terms ranging from one to twenty years (2014: one to twenty years).

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THE GROUP AS LESSEE:

Minimum lease payments paid under operating leases during the year.

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Premises	385,760	355,471
Equipment	29	32
	385,789	355,503

At the end of the reporting period, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	48,799	57,636
In the second to fifth year inclusive	48,056	85,458
Over five years	61,714	10,314
	158,569	153,408

Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of building management service by associates	4,303	4,066

Details of the balances with associates, joint ventures, non-controlling shareholders of subsidiaries, an investee company and related companies as at the end of the reporting period are set out in the consolidated statement of financial position and the relevant notes.

The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

(b) During the year, the Group has entered into four hotel management services contracts for the provision of hotel management services to certain companies in Malaysia which are controlled by a director of the Company. During the year ended 31 March 2015, hotel management services income of HK\$234,000 (2014: nil) was received under these contracts.

(c) Remuneration paid and payable to the members of key management, who are the directors and the five highest paid individuals, during the year are disclosed in note 15.

44. AMOUNT DUE FROM/TO RELATED PARTIES

The amounts due from/to associates, joint ventures, an investee company, related companies and non-controlling shareholders of subsidiaries are set out in the consolidated statement of financial position. The amounts are unsecured, interest-free and either repayable on demand or without fixed terms of repayment.

The Group does not expect for repayment in respect of the amounts due from joint ventures and an investee company within the next twelve months from the end of the reporting period and, accordingly, the amounts are classified under non-current assets.

The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

45. SHARE OPTION SCHEME

(A) SHARE OPTION SCHEME OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED (THE "FECIL SHARE OPTION SCHEME")

On 31 August 2012, the Company adopted a share option scheme to replace the share option scheme adopted on 28 August 2002, which has expired on 28 August 2012. The share option scheme of the Company was approved by the Company for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the FECIL Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the FECIL Share Option Scheme is not permitted to exceed 10% of the shares of the Company then in issue; and the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK\$1 by the grantee. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options were granted by the Company on 21 October 2004, 25 August 2006, 8 May 2009 and 27 March 2013, at an initial exercise price at HK\$2.075, HK\$3.290, HK\$1.500 and HK\$2.550 per share to directors and employees of the Company and its subsidiaries.

At 31 March 2015, the number of options which remained outstanding under the Share Option Scheme was 20,350,000 (2014: 27,450,000) which, if exercise in full, would represents 1.06% (2014: 1.48%) of the enlarged capital of the Company.

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Details of options granted are as follows:

Option type	Vesting period	Exercisable period	Exercise price HK\$
Options granted on 21 October 2004			
Tranche 1	21.10.2004 to 31.10.2004	1.11.2004 to 20.10.2014	2.075
Tranche 2	21.10.2004 to 31.12.2005	1.1.2006 to 20.10.2014	2.075
Tranche 3	21.10.2004 to 31.12.2006	1.1.2007 to 20.10.2014	2.075
Tranche 4	21.10.2004 to 31.12.2007	1.1.2008 to 20.10.2014	2.075
Tranche 5	21.10.2004 to 31.12.2008	1.1.2009 to 20.10.2014	2.075
Options granted on 25 August 2006			
Tranche 3	25.8.2006 to 31.12.2007	1.1.2008 to 24.8.2016	3.290
Tranche 4	25.8.2006 to 31.12.2008	1.1.2009 to 24.8.2016	3.290
Tranche 5	25.8.2006 to 31.12.2009	1.1.2010 to 24.8.2016	3.290
Options granted on 8 May 2009			
Tranche 1	8.5.2009 to 15.9.2009	16.09.2009 to 15.09.2019	1.500
Tranche 2	8.5.2009 to 15.9.2010	16.09.2010 to 15.09.2019	1.500
Tranche 3	8.5.2009 to 15.9.2011	16.09.2011 to 15.09.2019	1.500
Tranche 4	8.5.2009 to 15.9.2012	16.09.2012 to 15.09.2019	1.500
Options granted on 27 March 2013			
Tranche 1	27.3.2013 to 28.2.2014	2.3.2014 to 28.2.2020	2.550
Tranche 2	27.3.2013 to 28.2.2015	2.3.2015 to 28.2.2020	2.550
Tranche 3	27.3.2013 to 29.2.2016	2.3.2016 to 28.2.2020	2.550
Tranche 4	27.3.2013 to 28.2.2017	2.3.2017 to 28.2.2020	2.550

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The movements in the options granted to employees in aggregate during the two years ended 31 March 2014 and 31 March 2015 are as follows:

Option type	Date of grant	At 1.4.2013	Exercised during the year	At 31.3.2014	Exercised during the year	At 31.3.2015
Tranche 1	21.10.2004	250,000	-	250,000	(250,000)	-
Tranche 2	21.10.2004	425,000	(100,000)	325,000	(325,000)	-
Tranche 3	21.10.2004	1,575,000	(1,100,000)	475,000	(475,000)	-
Tranche 4	21.10.2004	4,075,000	(2,500,000)	1,575,000	(1,575,000)	-
Tranche 5	21.10.2004	4,975,000	(2,500,000)	2,475,000	(2,475,000)	-
		<u>11,300,000</u>	<u>(6,200,000)</u>	<u>5,100,000</u>	<u>(5,100,000)</u>	<u>-</u>
Tranche 4	25.8.2006	450,000	-	450,000	-	450,000
Tranche 5	25.8.2006	500,000	-	500,000	-	500,000
		<u>950,000</u>	<u>-</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Tranche 1	8.5.2009	1,850,000	(1,850,000)	-	-	-
Tranche 2	8.5.2009	1,850,000	(150,000)	1,700,000	(1,700,000)	-
Tranche 3	8.5.2009	1,850,000	-	1,850,000	(300,000)	1,550,000
Tranche 4	8.5.2009	1,850,000	-	1,850,000	-	1,850,000
		<u>7,400,000</u>	<u>(2,000,000)</u>	<u>5,400,000</u>	<u>(2,000,000)</u>	<u>3,400,000</u>
Tranche 1	27.3.2013	2,400,000	-	2,400,000	-	2,400,000
Tranche 2	27.3.2013	3,200,000	-	3,200,000	-	3,200,000
Tranche 3	27.3.2013	4,000,000	-	4,000,000	-	4,000,000
Tranche 4	27.3.2013	6,400,000	-	6,400,000	-	6,400,000
		<u>16,000,000</u>	<u>-</u>	<u>16,000,000</u>	<u>-</u>	<u>16,000,000</u>
		<u>35,650,000</u>	<u>(8,200,000)</u>	<u>27,450,000</u>	<u>(7,100,000)</u>	<u>20,350,000</u>
Weighted average exercisable price		<u>2.201</u>	<u>1.935</u>	<u>2.281</u>	<u>1.913</u>	<u>2.409</u>
Number of options exercisable at the end of the year				<u>13,850,000</u>		<u>9,950,000</u>

Total consideration received by the Group for exercising the options granted amount to approximately HK\$13,582,500 (2014: HK\$15,865,000).

The weighted average closing price of the Company's share immediately before the date(s) on which the options were exercised is HK\$2.98 (2014: HK\$2.75).

The estimated fair value of the options granted during the year ended 31 March 2013 determined at the date of grant using the Binominal model was approximately HK\$14,169,000.

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The following assumptions were used to calculate the fair value of share options granted on 27 March 2013:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Exercise price	2.550	2.550	2.550	2.550
Risk free rate	0.887%	0.887%	0.887%	0.887%
Dividend yield	2.549%	2.549%	2.549%	2.549%
Value of option at grant date	0.77	0.82	0.86	0.88
Expected life of option	6.9	6.9	6.9	6.9
Volatility	44.029%	44.029%	44.029%	44.029%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Total share option expense in relation to the options granted by the Company recognised during the year amounted to HK\$4,014,000 (2014: HK\$6,149,000).

(B) SHARE OPTION SCHEME OF DORSETT

On 10 September 2010, a share option scheme of Dorsett (the "Dorsett Share Option Scheme") was approved by Dorsett for the purpose of providing incentives or rewards to directors of the Company and Dorsett and any of their subsidiaries and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group who the board of directors of Dorsett considers, in its sole discretion, have contributed or will contribute to the Company and Dorsett or any of its subsidiaries. Under the Dorsett Share Option Scheme, the board of directors of Dorsett may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in Dorsett.

Without prior approval from Dorsett's shareholders, (i) the total number of shares to be issued under the Dorsett Share Option Scheme is not permitted to exceed 10% of the shares of the Dorsett then in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Dorsett then in issue.

Options granted will be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options are accepted. The exercise price is determined by the directors of Dorsett, and will not be less than the highest of (i) the closing price of Dorsett's shares on the date of grant, which must be a business day; (ii) the average closing price of Dorsett's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of Dorsett's share.

As at 31 March 2015, the number of options which remained outstanding under the Dorsett Share Option scheme was 14,414,545 (2014: 18,018,145) which, if exercise in full, represents 0.68% (2014: 0.85%) of the enlarged capital of Dorsett. 10,810,887 (2014: 10,810,887) share option were exercisable at the end of the reporting period.

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Details of the share options, which were granted on 11 October 2010 at an exercise price of HK\$2.20 per share, to employees are as follows:

Option type	Vesting period	Exercisable period	Exercise price HK\$	At 1.4.2013	Lapsed during the year	At 31.3.2014	Lapsed during the year	At 31.3.2015
Tranche 1	11.10.2010 to 10.10.2011	11.10.2011 to 10.10.2014	2.20	3,712,719	(109,090)	3,603,629	(3,603,629)	-
Tranche 2	11.10.2010 to 10.10.2012	11.10.2012 to 10.10.2015	2.20	3,712,719	(109,090)	3,603,629	-	3,603,629
Tranche 3	11.10.2010 to 10.10.2013	11.10.2013 to 10.10.2016	2.20	3,712,719	(109,090)	3,603,629	-	3,603,629
Tranche 4	11.10.2010 to 10.10.2014	11.10.2014 to 10.10.2017	2.20	3,712,719	(109,090)	3,603,629	-	3,603,629
Tranche 5	11.10.2010 to 10.10.2015	11.10.2015 to 10.10.2018	2.20	3,712,752	(109,094)	3,603,658	-	3,603,658
				<u>18,563,628</u>	<u>(545,454)</u>	<u>18,018,174</u>	<u>(3,603,629)</u>	<u>14,414,545</u>

No options were granted and no options granted were exercised during the years ended 31 March 2014 and 2015.

The fair value of the options at the date of grant determined using the Binomial model is approximately HK\$18,001,000. During the year, the Group recognised a total expense of approximately HK\$896,000 (2014: HK\$1,599,000) in relation to the options granted.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

46. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group makes defined contributions to the Employees Provident Fund for qualifying employees in Malaysia under which the Group is required to make fixed contributions under the defined contribution plans to separate entities. The Group has no legal or constructive obligations of further contributions to make up any deficiencies of fund assets to cover all employees benefits relating to their services to the Group.

The Group makes defined contribution to the Singapore Central Provident Fund which the Group is required to make a certain percentage of the salaries of the employees in Singapore,

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whereby the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group makes contribution to independent superannuation master funds for employees in Australia, based on a certain percentage of the employee's salaries and wages. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contribution.

The Group operates defined contribution schemes in respect of its employees in the United Kingdom. Contribution are made based on a certain percentage of salaries of the employees in the United Kingdom to the defined contribution scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension costs of the defined contribution schemes represent the contributions accrued to the scheme in respect of the accounting period.

Total retirement benefit expenses charged to profit or loss amounted to HK\$39,637,000 in the current year (2014: HK\$36,540,000).

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at the end of the year are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital/ share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2015	2014	
Direct subsidiaries					
Accord Rise Investments Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Ample Bonus Limited	BVI/HK	101 shares of US\$1	100	100	Investment holding
Ondella International Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Pacific Growing Limited	HK	1 share of HK\$1*	100	100	Investment holding
The FIFTH Apartments Pty Ltd	Australia	1 share of A\$1	100	100	Property development
Indirect subsidiaries					
124 York Street Pty Ltd	Australia	10,000 shares of A\$121.78	76.05	76.05	Car park operation
13 Roper Street Pty Ltd	Australia	10,000 shares of A\$121.78	76.05	76.05	Car park operation
13 Roper Street Trust	Australia	N/A	76.05	76.05	Car park operation
19 Bank Street Pty Ltd	Australia	10,000 shares of A\$121.78	76.05	76.05	Car park operation
19 Bank Street Trust	Australia	N/A	76.05	76.05	Car park operation
344 Queen Car Park Pty Ltd	Australia	10,000 shares of A\$121.78	76.05	76.05	Car park operation
344 Queen Car Park Trust	Australia	N/A	76.05	76.05	Car park operation
94 York Street Trust	Australia	N/A	76.05	76.05	Car park operation
Accessway Profits Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Action Fulfilled Assets Limited	BVI/HK	1 share of US\$1	100	100	Property investment
All Greatness Limited	BVI/HK	1 share of US\$1	100	100	Property development
Amphion Investment Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Annick Investment Limited	HK	2 shares of HK\$1*	100	100	Property investment
Apex Path Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Arvel Company Limited	HK	10,000 shares of HK\$1*	100	100	Property investment
Australian Property Management Pty Ltd	Australia	1 share of A\$1	76.05	76.05	Car park operation
Ballarat Central Car Park Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Car park operation
Best Hoover Limited	HK	1 share of HK\$1*	100	100	Property investment
Best Impact Limited	BVI/HK	1 share of US\$1	100	100	Car park operation
Bournemouth Estates Limited	HK	2 shares of HK\$10*	100	100	Property development

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Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital/ share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2015	2014	
Bravo Trade Holdings Limited	BVI/HK	1 share of US\$1	100	100	Property development
Bryce International Limited	BVI	100 shares of US\$1	100	100	Investment holding
Capital Fortune Investment Limited	HK	2 shares of HK\$1*	73.97	74.07	Investment holding
Caragis Limited	HK	1,000 shares of HK\$1*	73.97	74.07	Hotel operation
Care Park (Albert Street) Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Car park operation
Care Park Finance Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Car park operation
Care Park Holdings Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Investment holding
Care Park New Zealand Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Car park operation
Care Park Properties Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Investment holding
Care Park Group Pty Ltd	Australia	1,000 shares of A\$121.78	76.05	76.05	Car park operation
Carterking Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Cathay Motion Picture Studios Limited	HK	10,000 shares of HK\$1*	100	100	Property investment
Charter Joy Limited	HK	2 shares of HK\$1*	73.97	74.07	Hotel operation
Charter National International Limited	HK	2 shares of HK\$1*	100	100	Property development
Cheong Sing Property Development Limited	HK	500 shares of HK\$100*	100	100	Property development
Ching Chu (Shanghai) Real Estate Development Company Limited (i)	PRC	Registered and paid up capital of US\$8,800,000	73.97	74.07	Hotel management
Chun Wah Holdings Limited	HK	200 shares of HK\$1*	100	100	Property development
Complete Delight Limited	BVI/HK	1 share of US\$1	73.97	74.07	Hotel operation
Cosmopolitan Hotel Limited	HK	10,000 shares of HK\$1*	73.97	74.07	Hotel operation
Dorsett Bukit Bintang Sdn. Bhd.	Malaysia	2 shares of RM\$1	100	100	Property development
Dorsett Hospitality International Limited (listed on the Stock Exchange since 11th October 2010, stock code: 2266)	Cayman	2,100,626,650 shares of HK\$0.1	73.97	74.07	Investment holding
Dorsett Hospitality International (M) Sdn Bhd	Malaysia	2 shares of RM\$2	73.97	74.07	Investment holding
Dorsett Hospitality International (Singapore) Pte. Limited	Singapore	1 share of S\$1	73.97	74.07	Hotel management and consultation service
Dorsett Hospitality International Services Limited	HK	2 shares of HK\$1*	73.97	74.07	Hotel management
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of RM\$1	73.97	74.07	Hotel operation
Double Advance Group Limited	BVI/HK	1 share of US\$1	73.97	74.07	Hotel operation
Double Gaining Limited	HK	1 share of HK\$1*	100	100	Administrative services
Drakar Limited	Isle of Man/United Kingdom	1 share of £1	100	100	Property development
Dunjoy Limited	HK	2 shares of HK\$1*	100	100	Investment holding
E-Cash Ventures Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Esmart Management Limited	HK	2 shares of HK\$1*	73.97	74.07	Hotel management
Everkent Development Limited	HK	2 shares of HK\$1*	73.97	74.07	Hotel operation
Expert Vision Trading Limited	BVI	1 share of US\$1	100	100	Investment holding
Far East Consortium (Australia) Pty Ltd.	Australia	2 shares of A\$1	100	100	Property development

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Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital/ share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2015	2014	
Far East Consortium (B.V.I.) Limited	BVI/HK	50,000 shares of US\$1	100	100	Investment holding
Far East Consortium (Malaysia) Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Far East Consortium (Netherlands Antilles) N.V.	The Netherlands	6,000 shares of US\$1	100	100	Investment holding
Far East Consortium China Infrastructure Company Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Far East Consortium China Investments Limited	HK	6,000 shares of HK\$100*	100	100	Investment holding
Far East Consortium Holdings (Australia) Pty Limited	Australia	12 shares of A\$1 235 redeemable preference shares of A\$42.55	100 100	100 100	Investment holding
Far East Consortium Limited	HK	830,650,000 shares of HK\$1*	100	100	Investment holding and property investment
Far East Consortium Machinery Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Far East Consortium Properties Pty Limited	Australia	12 shares of A\$1 225 redeemable preference shares of A\$44.44	100 100	100 100	Investment holding and property investment
Far East Consortium Real Estate Agency Limited	HK	1 share of HK\$1*	100	100	Sales agency service
Far East Real Estate and Agency (H.K.) Limited	HK	60,000 shares of HK\$100*	100	100	Investment holding and loan financing
Far East Rockman Hotels (Australia) Pty Limited	Australia	12 shares of A\$1 375 redeemable preference shares of A\$10,000	100 100	100 100	Investment holding
Far East Supermarket Limited	HK	500,000 shares of HK\$1*	100	100	Property investment
FEC Care Park Holdings (Australia) Pty Ltd	Australia	1 share of A\$1	100	100	Investment holding
FEC Care Park Pte Ltd	Singapore	1 share of S\$1	100	100	Investment holding
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	2 shares of RM\$1	100	100	Investment holding
FEC Financing Solutions Pty Ltd	Australia	1 share of A\$1	100	100	Investment holding
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	120,000 shares of DFL1	100	100	Investment holding
FECFW 1 Pty Ltd	Australia	1 share of A\$1	100	100	Investment holding
FECFW 2 Pty Ltd	Australia	1 share of A\$1	100	100	Investment holding
Ficon Roper Street Trust	Australia	N/A	76.05	76.05	Car park operation
Focus Venue Sdn. Bhd.	Malaysia	100 shares of RM\$1	90	90	Property development
Fortune Plus (M) Sdn. Bhd.	Malaysia	935,000 shares of RM\$1	100	100	Property investment
Garden Resort Development Limited	HK	100 shares of HK\$1*	100	100	Property development
Gold Prime Group Limited	BVI	1 share of US\$1	100	100	Investment holding
Grand Expert Limited	HK	10,000 shares of HK\$1*	73.97	73.25	Hotel operation
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	PRC	Registered and paid up capital of HK\$50,000,000	51	51	Operation of boiler factory

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Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital/ share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2015	2014	
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK\$1*	73.97	74.07	Loan financing
Jarton Limited	HK	1 share of HK\$1*	100	100	Property development
Kuala Lumpur Land Holdings Limited	Jersey/HK	100 shares of £1	100	100	Investment holding
Launceston York Car Park Trust	Australia	N/A	76.05	76.05	Car park operation
Madison Lighters and Watches Company Limited	HK	4 shares of HK\$1*	100	100	Investment holding
Marsh Wall Residences Limited	United Kingdom	1 share of £1	100	100	Property development
Mass Perfect Limited	HK	1 share of HK\$1*	73.97	74.07	Investment holding
May21 Pty Ltd.	Australia	1 share of A\$1	100	100	Property development
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of RM\$1	73.97	74.07	Hotel operation
Midtown at Upper West Side Pty Ltd.	Australia	2 shares of A\$1	100	100	Investment holding
Multi Yield (HK) Limited	HK	1 share of HK\$1*	100	100	Property investment
N.T. Horizon Realty (Jordan) Limited	HK	2 shares of HK\$100*	100	100	Property investment
New Time Plaza Development Limited	HK	1,000 shares of HK\$1*	100	100	Investment holding
New Union Investments (China) Limited	HK	300 shares of HK\$1*	100	100	Investment holding
Pandix Limited	HK	1 share of HK\$1*	100	100	Property development
Panley Limited	HK	1 share of HK\$1*	73.97	74.07	Hotel operation
Peacock Management Services Limited	HK	2 shares of HK\$1*	100	100	Administration services
Polyland Development Limited	HK	2 shares of HK\$1*	100	100	Property development
Quadrant Plaza Pty Ltd	Australia	N/A	76.05	76.05	Car park operation
Quadrant Plaza Unit Trust	Australia	N/A	76.05	76.05	Car park operation
Regency Hotels Proprietary Limited	Australia	100 shares of A\$1	100	100	Investment holding
Rich Diamond Holdings Limited	BVI/HK	10 shares of US\$1	70	70	Investment holding
Richfull International Investment Limited	HK	1 share of HK\$1*	73.97	74.07	Bar operation
Ridon Investment Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Roper Debt Pty Ltd	Australia	N/A	76.05	76.05	Car park operation
Roper Street Car Park Pty Ltd	Australia	N/A	76.05	76.05	Car park operation
Roper Street Car Park Unit Trust	Australia	N/A	76.05	76.05	Car park operation
Royal Domain Plaza Pty. Ltd.	Australia	2 shares of A\$1	100	100	Property investment
Royal Domain Towers Pty. Ltd.	Australia	2 shares of A\$1	100	100	Property investment
Ruby Way Limited	HK	2 shares of HK\$1*	73.97	74.07	Hotel operation
Scarborough Development Limited	HK	2 shares of HK\$1*	100	100	Property investment
Shanghai Chingchu Property Development Company Limited (ii)	PRC	Registered and paid up capital of US\$35,000,000	98.2	98.2	Property development and investment
Shepparton Car Park Pty Ltd	Australia	10,050 shares of A\$0.17093	76.05	76.05	Car park operation
Shepparton Car Park Trust	Australia	N/A	76.05	76.05	Car park operation
Singford Holdings Limited	BVI/HK	1 share of US\$1	100	100	Treasury management
Spencer Green Pty Ltd	Australia	1 share of A\$1	100	100	Property development

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital/ share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2015	2014	
Star Bridge Development Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Subang Jaya Hotel Development Sdn Bhd.	Malaysia	245,000,000 shares of RM\$1	73.97	74.07	Hotel operation
Success Range Sdn. Bhd.	Malaysia	250,000 shares of RM\$1	73.97	74.07	Hotel operation
Tang City Holdings Pte. Ltd.	Singapore	1,000,000 shares of S\$1	100	100	Property investment
Tang City Parkway Pte. Limited	Singapore	10 shares of S\$1	100	100	Property investment
Tang City Properties Pte. Limited	Singapore	2,600,000 shares of S\$1	100	100	Investment holding
Tang Development Pte. Limited	Singapore	2 shares of S\$1	100	100	Property investment
Tang Hotel Investments Pte. Ltd.	Singapore	2 shares of S\$1	73.97	74.07	Investment holding and property development
Tang Strategic Investment Pte. Ltd.	Singapore	10 shares of S\$1	100	100	Property investment
Tang Suites Pte. Ltd.	Singapore	1 share of S\$1	73.97	74.07	Property development
Target Term Sdn. Bhd.	Malaysia	2 shares of RM\$1	100	100	Car park operation
Tantix Limited	HK	1 share of HK\$1*	100	100	Property development
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK\$1*	73.97	74.07	Hotel operation
Tomarta Sdn. Bhd.	Malaysia	1,000,000 shares of RM\$1	100	100	Property development
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of RM\$1	73.97	74.07	Hotel operation
Vicco Development Limited	HK	2 shares of HK\$1*	100	100	Investment holding
Vicsley Limited	HK	1,000 shares of HK\$1*	73.97	74.07	Hotel operation
Victoria Land Pty Limited	Australia	12 shares of A\$1	100	100	Management services
Well Distinct Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
Win Chance Engineering Limited	HK	2 shares of HK\$1*	100	100	Engineering services
Zhongshan Developments Limited	BVI/HK	1 share of US\$1	100	100	Investment holding
武漢港澳中心物業管理有限公司(iii)	PRC	Registered and paid up capital of RMB500,000	73.97	74.07	Property management
武漢遠東帝豪酒店管理有限公司(i)	PRC	Registered and paid up capital of US\$29,800,000	73.97	74.07	Hotel operation
遠東帝豪酒店管理(成都)有限公司(i)	PRC	Registered and paid up capital of US\$38,000,000	73.97	74.07	Property development
上海帝豪酒店有限公司(i)	PRC	Registered and paid up capital of RMB500,000	73.97	74.07	Hotel operation

(i) Foreign investment enterprise registered in the PRC.

(ii) Sino-foreign equity joint venture registered in the PRC

(iii) Domestic wholly owned enterprise registered in the PRC.

* There is no par value of these shares upon commencement of new Hong Kong Companies Ordinance on 3 March 2014.

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP
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The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Dorsett has issued 2018 Bonds with principal amount of RMB810,340,000 (equivalent to HK\$1,062,500,000), in which the Group has no interests.

Details of Non-wholly Owned Subsidiaries hat have Material Non-controlling Interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dorsett Hospitality International Limited	Cayman Islands/HK	26.03	25.93	(39,531)	117,352	1,003,066	1,081,694
Individually immaterial subsidiaries with non-controlling interests	N/A	N/A	N/A	166,608	(8,331)	114,213	119,233
				127,077	109,021	1,117,279	1,200,927

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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Dorsett Hospitality International Limited

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Currents assets	<u>1,869,308</u>	<u>2,171,615</u>
Non-current assets	<u>7,960,889</u>	<u>8,099,030</u>
Current liabilities	<u>2,154,406</u>	<u>2,516,697</u>
Non-current liabilities	<u>3,847,180</u>	<u>3,611,520</u>
Equity attributable to:		
Owners of the Company	2,825,545	3,060,734
Non-controlling interests	<u>1,003,066</u>	<u>1,081,694</u>
	<u>3,828,611</u>	<u>4,142,428</u>
Revenue	<u>1,454,027</u>	<u>1,785,850</u>
Profit for the year	94,352	376,568
Other comprehensive (expense) income for the year	<u>(265,937)</u>	<u>17,000</u>
Total comprehensive (expense) income for the year	<u>(171,585)</u>	<u>393,568</u>
Equity attributable to:		
Owners of the Company	(132,054)	276,216
Non controlling interests	<u>(39,531)</u>	<u>117,352</u>
	<u>(171,585)</u>	<u>393,568</u>
Dividends paid to non-controlling interests	<u>38,233</u>	<u>53,905</u>
Net cash inflow from operating activities	278,255	61,589
Net cash outflow from investing activities	(438,274)	(1,100,440)
Net cash (outflow) inflow from financing activities	<u>(387,528)</u>	<u>1,499,292</u>
Net cash (outflow) inflow	<u>(547,547)</u>	<u>460,441</u>

APPENDIX II	FINANCIAL INFORMATION OF THE FEC GROUP
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At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2015	2014
Investment holding	Hong Kong	73	73
	Malaysia	12	12
	PRC	7	7
	Singapore	9	8
	Australia	41	40
	New Zealand	2	2
	UK	1	1
	Others	1	1
		146	144
	146	144	
Inactive	Hong Kong	66	63
	Malaysia	9	9
	PRC	20	20
	Singapore	3	3
	Australia	3	3
	UK	8	6
	Others	10	10
		119	114
	119	114	

48. EVENT AFTER THE REPORTING PERIOD

On 20 May 2015, the board of directors of the Company and Dorsett jointly announced the possible privatisation of Dorsett by the Group. Details of the above proposal were disclosed in the Company's announcement dated 27 May 2015.

III. INDEBTEDNESS

Debt securities

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the FEC Group had outstanding unsecured and unguaranteed bonds with carrying value of approximately HK\$2,256 million (the aggregate principal amount outstanding was approximately HK\$2,263 million).

Borrowings

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the FEC Group had total outstanding borrowings of approximately HK\$8,002 million, comprising secured bank borrowings of approximately HK\$7,888 million, secured bank overdrafts of approximately HK\$31 million, unsecured borrowings from related companies and non-controlling shareholders of subsidiaries of approximately HK\$46 million and HK\$28 million respectively and secured finance lease obligations of approximately HK\$9 million. Except for secured borrowings of HK\$6,514 million which are guaranteed, all other balances are not covered by guarantee as at 31 May 2015.

The secured borrowings are secured by fixed charges over the property, plant and equipment, prepaid lease payments, investment properties, properties for sale, investment securities and bank deposits together with floating charges over other assets of the property owners and benefits accrued to those properties together with the equity interests in certain subsidiaries of the FEC Group.

Contingent Liabilities

- (1) During the year ended 31 March 2014, the FEC Group accepted compensation offered by the relevant authority of Singapore in connection with compulsory acquisition of certain properties of the FEC Group located in Singapore. Management Corporation Strata Title No. 512 (“**MCST 512**”) filed the notice of appeal to High Court in Singapore against Tang City Holdings Pte. Ltd., a subsidiary of FEC in Singapore, claiming for the benefit and/or revenue relating to the unauthorised additions to the floor area in those properties amounted to S\$23 million (equivalent to HK\$132 million). There is no final judgement up to the date of this Scheme Document. In the opinion of the directors of FEC, after consultation with the lawyer, MCST 512’s appeal is not premised upon any strong basis and is unlikely to succeed. Accordingly, no provision for potential liability is considered necessary.
- (2) During the year ended 31 March 2010, HKSAR Hotel initiated a lawsuit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK\$14 million. In response to the

claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK\$26 million. HKSAR Hotel was disposed of during the year ended 31 March 2013 but the Dorsett Group undertakes to use all reasonable endeavors to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 but no final judgement has been given as at the Latest Practicable Date. In the opinion of the directors of FEC, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability is considered necessary.

Save as disclosed in this section headed “III. Indebtedness” and apart from intra-group liabilities, the FEC Group did not, as at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

IV. MATERIAL CHANGES

The directors of FEC confirm that there has been no material change to the financial and trading position or outlook of the FEC Group since 31 March 2015, the date to which the latest published audited consolidated financial statements of the FEC Group were made up.

V. PROPERTY INTERESTS AND ADJUSTED NET ASSET VALUE

The valuation of property interests of the FEC Group as at 31 May 2015 have been conducted by independent professional valuers appointed by the FEC Group, the details of which can be found in Appendix IV to this Scheme Document. The market value of the aforesaid property interests attributable to the FEC Group as at 31 May 2015 was approximately HK\$26,962 million in respect of the following categories of property interests:

	<i>HK\$ million</i>
Property investment	2,148
Property development	10,719
Hotel operations	13,514
Car park operations	581
	26,962
	26,962

Further details of the aforementioned property interests (excluding those held by the Dorsett Group) and their corresponding valuation report prepared by the aforementioned independent professional valuers are set out in Appendix IV to this Scheme Document.

APPENDIX II FINANCIAL INFORMATION OF THE FEC GROUP
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By taking into account the effect of revaluation surplus arising from the valuation of all the above properties interests, set out below is the calculation of the Adjusted NAV of the FEC Group:

	<i>HK\$ million</i>
Audited consolidated NAV as at 31 March 2015 (<i>note 1</i>)	9,144
Net movement (<i>note 2</i>)	14,295
Adjusted NAV (<i>note 3</i>)	23,439
Adjusted NAV attributable to non-controlling interests of the Group (<i>note 3</i>)	(3,060)
Net Adjusted NAV attributable to owners of the FEC Group (<i>note 3</i>)	20,379
NAV per share as at 31 March 2015 (<i>note 4</i>) (HK\$)	4.78
Adjusted NAV per share (<i>notes 3 and 4</i>) (HK\$)	10.63

Notes:

1. The amount is extracted from the audited consolidated statement of financial position of the FEC Group as at 31 March 2015 in this Appendix II to this Scheme Document.
2. The net movement comprises (i) the revaluation surplus of the property interests as at 31 May 2015, being the excess of market value of the property interests as at 31 May 2015 over their corresponding carrying value as at 31 May 2015, deducted by the relevant estimated deferred taxes attributable to the revaluation surplus (net of tax indemnity); and (ii) the proceeds from the exercise of FEC Options on 3 July 2015. The market value and carrying value of overseas property interests were translated to Hong Kong dollars at the prevailing market exchange rates as at 31 May 2015.

The deferred taxes attributable to the revaluation surplus means the estimated related taxation, which is calculated based on the estimated land appreciation tax, business tax, related surcharge of business tax and income tax in the PRC, profits tax in Hong Kong and income tax in Australia that would crystallise upon disposal of the properties at the valuation price. No deferred tax liabilities have been provided in relation to the increase value of hotel properties in the PRC as the tax liabilities can only be ascertained on disposal of the relevant properties.

The net movement does not include the trading results of FEC.
3. Adjusted NAV equals the audited consolidated NAV as at 31 March 2015 (the details of which are set out in note 1 above) plus net movement (the details of which are set out in note 2 above).
4. The NAV per share and Adjusted NAV per share are calculated on the basis of 1,913,736,798 and 1,917,586,798 shares of FEC being in issue as at 31 March 2015 and the Latest Practicable Date respectively.
5. The Board of FEC has recommended a final dividend of HK\$0.13 per FEC Share (the “**FEC Dividend**”) for the year ended 31 March 2015, which is subject to approval by the shareholders of FEC at the annual general meeting of FEC to be held on 27 August 2015. For avoidance of doubt, the FEC Dividend is not included in the calculation of the Adjusted NAV of FEC.

The following are the text of letters, summaries of values and valuation reports prepared for the purpose of incorporation in this Scheme Document received from independent valuers, in connection with the valuation as at 31 May 2015 of the market values of the property interests of the Dorsett Group.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 August 2015

The Directors
Dorsett Hospitality International Limited
18/F, Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuations of the properties held by Dorsett Hospitality International Limited (the “Company”) and/or its subsidiaries (together referred to as the “Group”) in Hong Kong and the People’s Republic of China (the “PRC”). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of these properties as at 31 May 2015 (“the Date of Valuation”).

Basis of Valuation

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. In respect of the PRC properties, we have relied on the legal opinion given to us by the Group's legal advisers.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers and Share Buy-backs of Securities and Futures Commission and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Method of Valuation

We have generally valued the properties by market approach by making reference to comparable sales transactions as available in the relevant market or by investment method where we capitalized the net rental or other income derived from the properties under the existing leases or operations.

Each of the properties in Group II in Hong Kong and in Group V in the PRC has been valued as fully operational hotels. Moreover, we have valued such properties with the benefit of all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation.

In respect of the property in Group III, which is held by the Group under development in Hong Kong, we have valued it on the basis that it will be developed and completed in accordance with the Group's latest development proposal provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our valuation, we have made reference to comparable sales evidence as available in the market and applied adjustments to account for differences between the comparables and the property. We have taken into account the expended construction costs and allowed for the costs that will be expended to complete the proposed development. The "capital value if completed at the Date of Valuation" represents our opinion of the market value of the proposed development assuming that it were completed at the Date of Valuation.

According to the information provided by the Group, the potential tax liability of properties located in Hong Kong which would arise on disposal of the properties is profits tax of 16.5% of net profit upon disposal, save for deduction of any profit which is capital in nature. In respect of the properties in Groups I, II and III, which are held by the Group for owner-occupation, held and operated by the Group and under development in Hong Kong respectively, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan at present for the disposal of those properties.

For the properties located in the PRC under Group IV to Group VI, we have been advised by the Group that the potential tax liabilities include Land Appreciation Tax (土地增值稅) at progressive tax rates from 30% to 60%, Business Tax (營業稅) at 5% of the sale amount, related surcharge (附加稅) at 11% of Business Tax (營業稅), and Income Tax (所得稅) at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents. In respect of the properties in Groups IV, V and VI, which are held by the Group for investment, held and operated by the Group and contracted to be acquired by the Group in the PRC respectively, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan at present for the disposal of those properties.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings, particulars of occupancy, management accounts, identification of properties, floor plans and areas, site areas, number of parking spaces and guestrooms, construction costs, construction schedule and all other relevant matters.

Land Tenure

In valuing the properties in Hong Kong the Government leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong) under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the date of extension.

In valuing the Group IV and Group V properties in the PRC, the market values are based on confirmation, reflected in the legal opinion, that transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted, and owners of those properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

For the Group VI property in the PRC, we have ascribed no commercial value to the property as the Certificate of Real Estate Ownership had not been obtained by the Group since the relevant government authorities are still in the process of transferring the Certificate of Real Estate Ownership to the Group.

Title Investigation

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

Site Inspection

Our valuers, Mr Edmond Pang, Ms Amy Ho and Ms Savannah Li of our Hong Kong office, Mr Edison Xie of our Guangzhou office, Mr Jack Sun of our Shanghai office, Ms Faye Huang of our Chengdu office, Mr Lizheng Li of our Shenzhen office and Mr Robin Jiang of our Wuhan office, inspected the exterior and wherever possible the interior of the properties between June and July 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. For those properties which are under or held for future development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for any future development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Currency and Exchange Rate

Unless otherwise stated, the market values are stated in Hong Kong dollars (“HK\$”) for properties in Groups I to III and in Renminbi (“RMB”) for properties in Groups IV to VI.

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

Yours faithfully,

For and on behalf of

DTZ Debenham Tie Leung Limited

K. B. Wong

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MHKIS

Senior Director, Valuation & Advisory Services

Note: Mr. K.B. Wong is a Registered Professional Surveyor (General Practice) who has over 30 years’ experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 May 2015 HK\$
Group I – Property held by the Group for owner-occupation in Hong Kong	
1. Shop Nos. 1-4 on Ground Floor, Shop Nos. 5-6 on Lower Ground Floor, Grand View Mansion, Nos. 383, 383A, 385 and 385A Queen’s Road East, Wanchai, Hong Kong	63,000,000
Sub-total of Group I:	63,000,000
Group II – Properties held and operated by the Group in Hong Kong	
2. Cosmopolitan Hotel, No. 387 Queen’s Road East, Wanchai, Hong Kong	2,560,000,000
3. Cosmo Hotel, No. 375 Queen’s Road East, Wanchai, Hong Kong	683,000,000
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong	1,020,000,000
5. Silka West Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon	427,000,000
6. Silka Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon	960,000,000

Property	Market value in existing state as at 31 May 2015 HK\$
7. Silka Far East Hotel, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories	656,000,000
8. Dorsett Mongkok, Hong Kong, No. 88 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	1,085,000,000
9. Dorsett Kwun Tong, Hong Kong, No. 84 Hung To Road, Kwun Tong, Kowloon	1,120,000,000
10. Dorsett Tsuen Wan, Hong Kong, No. 25 Kin Hong Street, Nos. 26-34 Kin Chuen Street and No. 659 Castle Peak Road, Kwai Chung, New Territories	1,505,000,000
Sub-total of Group II:	10,016,000,000
Group III – Property held by the Group under development in Hong Kong	
11. Big Orange – Kwai Chung, No. 119 Wo Yi Hop Road, (to be known as “Silka Tsuen Wan, Hong Kong”), Kwai Chung, New Territories	540,000,000
Sub-total of Group III:	540,000,000

Property	Market value in existing state as at 31 May 2015 RMB
Group IV – Properties held by the Group for investment in the PRC	
12. A portion of the retail podium (levels 1, 3 and 4) of Dorsett Shanghai Hotel, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	30,000,000
13. Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, and levels 3 to 7 and 9) and office portion (portion of level 10, and whole of levels 17 and 18) of Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	355,000,000
<hr style="width: 25%; margin-left: auto; margin-right: 0;"/>	
Sub-total of Group IV:	385,000,000

Group V – Properties held and operated by the Group in the PRC

14. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Dorsett Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	450,000,000
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Property	Market value in existing state as at 31 May 2015 RMB
15. Dorsett Wuhan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16 and car park (portion of basement) of Hongkong and Macao Center), No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	388,000,000
16. Dorsett Grand Chengdu, 124-177 Xi Yulong Street, Qinyang District, Chengdu, Sichuan Province, the PRC	810,000,000
17. Lushan Resort, Wenquan Town, Xingzi County, Jiangxi Province, the PRC	190,000,000
Sub-total of Group V:	1,838,000,000
Group VI – Property contracted to be acquired by the Group in the PRC	
18. Dorsett Zhongshan, Xintiecheng Hotel Block A, No.107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	No commercial value
Sub-total of Group VI:	No commercial value

VALUATION CERTIFICATE

Group I – Property held by the Group for owner-occupation in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
1.	Shop Nos. 1-4 on Ground Floor, Shop Nos. 5-6 on Lower Ground Floor, Grand View Mansion, Nos. 383, 383A, 385 and 385A Queen's Road East, Wanchai, Hong Kong Situated within Section B of Inland Lot No. 1578	<p>The property comprises the commercial accommodation on the lower ground and ground floors of a 12-storey composite building completed in 1966.</p> <p>The property has a total saleable area of approximately 659.23 sq.m. (7,096 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The property is held from under various Government leases for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The total current Government rent payable for the property is HK\$2,268 per annum.</p>	At the Date of Valuation, the property was occupied by the Group.	HK\$63,000,000

Notes:

- (1) The registered owner of the property is Ever Shiner Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for "Commercial" use under Wong Nai Chung Outline Zoning Plan No. S/H7/17 dated 8 July 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
2. Cosmopolitan Hotel, No. 387 Queen's Road East, Wanchai, Hong Kong The Remaining Portion of Inland Lot No. 1578	<p>The property comprises a 22-storey (plus a duct floor) hotel providing 453 guest rooms, a restaurant and a coffee lounge. The property was completed in 1978 and renovated in 2004.</p> <p>The property has a gross floor area of approximately 15,895.10 sq.m. (171,095 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$82,800 per annum.</p>	<p>At the Date of Valuation, the 1st floor of the property was let for a term of 5 years from 1 March 2011 to 29 February 2016 at a current monthly rent of HK\$198,000. A tour counter was let for a term of 2 years from 1 October 2013 to 30 September 2015 at a monthly rent of HK\$30,800. An advertising space and a mobile phone base station were let under 2 licences with the latest due to expire on 21 January 2017 at a total monthly fee of about HK\$189,000. The remainder of the property was operated by the Group as a hotel.</p>	HK\$2,560,000,000

Notes:

- (1) The registered owner of the property is Cosmopolitan Hotel Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Modification Letter dated 1 April 2008 vide Memorial No. 08042500490017.
- (3) The property is subject to a Debenture to secure all moneys in favour of Hang Seng Bank Limited.
- (4) The property is granted with a hotel/guesthouse licence for a period from 20 January 2012 to 19 January 2019 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The property is zoned for "Commercial" use under Wong Nai Chung Outline Zoning Plan No. S/H7/17 dated 8 July 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
3. Cosmo Hotel, No. 375 Queen's Road East, Wanchai, Hong Kong Sub-section 1 of Section A of Inland Lot No. 1578	<p>The property comprises a 25-storey (including a lower ground floor) hotel providing 142 guest rooms, two restaurants and a lounge. The property was completed in 1997 and renovated in 2005.</p> <p>The property has a total gross floor area of approximately 5,546.17 sq.m. (59,699 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$359,280 per annum.</p>	<p>At the Date of Valuation, portion of the ground floor and the whole of 1st and 2nd floors of the property were let under three tenancies with the latest due to expire on 31 August 2016 at a total monthly rent of HK\$266,000. A tour counter was let for a term of 2 years from 1 October 2013 to 30 September 2015 at a monthly rent of HK\$9,350. Various mobile phone base stations and a signage were let under various licences with the latest due to expire on 31 December 2016 at a total monthly fee of about HK\$110,000. The remainder of the property was operated by the Group as a hotel.</p>	HK\$683,000,000

Notes:

- (1) The registered owner of the property is Grand Expert Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a No-objection Letter dated 30 November 2000 vide Memorial No. UB8281602.
- (3) The property is subject to a Modification Letter dated 27 March 2008 vide Memorial No. 08042500490026.
- (4) The property is also subject to a Debenture incorporating a Mortgage and Floating Charge and an Assignment of Rental and Sale Proceeds both in favour of Public Bank (Hong Kong) Limited.
- (5) The property is granted with a hotel/guesthouse licence for a period from 16 October 2012 to 15 October 2017 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (6) The property is zoned for "Commercial" use under Wong Nai Chung Outline Zoning Plan No. S/H7/17 dated 8 July 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong	The property comprises a 36-storey hotel providing 162 guest rooms and a restaurant. The property was completed in 2005.	At the Date of Valuation, a mobile phone base station was let under a licence for a term of 2 years from 26 November 2014 to 25 November 2016 at a monthly fee of HK\$43,500. The remainder of the property was operated by the Group as a hotel.	HK\$1,020,000,000
Part of the shares of and in the Remaining Portion of Inland Lot No. 8852	The property has a gross floor area of approximately 5,344.22 sq.m. (57,525 sq.ft.). The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages. The property is held under Conditions of Exchange No. 12569 for a term of 50 years from 27 April 2000. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is The Hotel of Lan Kwai Fong Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Modification Letter dated 8 September 2004 vide Memorial No. UB9329230.
- (3) The property is subject to a No-objection Letter dated 3 June 2013 vide Memorial No. 13061102010018.
- (4) The property is subject to a Waiver Letter dated 3 June 2013 vide Memorial No. 13061102010021.
- (5) The property is subject to a Legal Charge to secure all moneys in favour of Wing Hang Bank, Limited.
- (6) The property is granted with a hotel/guesthouse licence for a period from 7 May 2014 to 6 May 2017 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (7) The property is zoned for “Residential (Group A)” use under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/29 dated 10 September 2013.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
5. Silka West Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon Kowloon Inland Lot No. 6374	<p>The property comprises a 23-storey (including a basement floor) hotel providing 141 guest rooms and a restaurant completed in 2005.</p> <p>The property has a gross floor area of approximately 3,210 sq.m. (34,554 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under a Government Lease for a term of 75 years from 16 March 1953 renewable for a further term of 75 years. The current Government rent payable for the property is HK\$176 per annum.</p>	At the Date of Valuation, a radio station and a antennae were let under a license for a term expiring in July 2016 at a monthly fee of HK\$23,000. The remainder of the property was operated by the Group as a hotel.	HK\$427,000,000

Notes:

- (1) The registered owner of the property is Double Advance Group Limited, a wholly owned subsidiary of the Group.
- (2) The property is granted with a hotel/guesthouse licence for a period from 1 January 2014 to 31 December 2016 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (3) The property is zoned for “Residential (Group E)” use under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
6. Silka Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon Kowloon Inland Lot Nos. 7429, 9701, 9705, 9727, 9769 and 9944	<p>The property comprises a 21-storey (including a basement) hotel providing a total of 268 guest rooms and a restaurant.</p> <p>The property was completed in 1993 and renovated in 2009. The property has a gross floor area of approximately 6,065.26 sq.m. (65,286 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>Kowloon Inland Lot No. 7429 is held under Conditions of Regrant No. 6282 for a term of 150 years from 2 February 1885. The remaining lots are held under Conditions of Regrant Nos. 9594, 9613, 9840, 9835 and 10170 for the same term of 150 years from 20 June 1898. The current aggregate Government rent payable for the lots is HK\$372 per annum.</p>	<p>At the Date of Valuation, the basement was let on monthly basis at a monthly rent of HK\$130,000. A mobile phone base station was let under a licence for a term of 3 years from 16 June 2013 to 15 June 2016 at a monthly fee of HK\$26,800. The remainder of the property was operated by the Group as a hotel.</p>	HK\$960,000,000

Notes:

- (1) The registered owner of the property is Charter Joy Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Modification Letter dated 17 December 2007 vide Memorial No. 07122000790233 (Re: Kowloon Inland Lot No. 9944 only).
- (3) The property is subject to a Debenture to secure all moneys in favour of Hang Seng Bank Limited.
- (4) The property is granted with a hotel/guesthouse licence for a period from 1 July 2014 to 30 June 2017 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The property is zoned for “Residential (Group A)” use under Yau Ma Tei Outline Zoning Plan No. S/K2/22 dated 16 May 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

7.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
	<p>Silka Far East Hotel, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories</p> <p>Part of the shares of and in Lot No. 2158 in Demarcation District No. 449</p>	<p>The property comprises portion of ground floor and 6th to 17th floors of a 17-storey building providing a total of 240 guest rooms. The property was completed in 1966 and renovated in 2006.</p> <p>The property has a total gross floor area of approximately 5,180.32 sq.m. (55,761 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under New Grant No. TW3915 for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>At the Date of Valuation, various mobile phone base stations and antennae were let under various licenses with the latest due to expire on 30 September 2017 at a total monthly fee of HK\$83,600. The remainder of the property was operated by the Group as a hotel.</p>	HK\$656,000,000

Notes:

- (1) The registered owner of the property is Complete Delight Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Modification Letter dated 27 September 2007 vide Memorial No. 07100301840038.
- (3) The property is granted with a hotel/guesthouse licence for a period from 1 October 2013 to 30 September 2016 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (4) The property is zoned for "Residential (Group A)" use under Tsuen Wan Outline Zoning Plan No. S/TW/31 dated 7 January 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
8. Dorsett Mongkok, Hong Kong, No. 88 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	The property comprises a 25-storey (including an upper ground floor) hotel providing a total of 285 rooms and a restaurant completed in 2010.	At the Date of Valuation, the 2nd floor of the property was let for a term of 3 years from 1 August 2012 to 31 July 2015 at a monthly rent of HK\$70,000. The remainder of the property was operated by the Group as a hotel.	HK\$1,085,000,000
The Remaining Portion of Kowloon Inland Lot No. 8050	The property has a gross floor area of approximately 6,224.62 sq.m. (67,002 sq.ft.). The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages. The property is held under Conditions of Sale No. UB6812 for a term of 75 years from 28 August 1961 and renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$254 per annum.		

Notes:

- (1) The registered owner of the property is Ruby Way Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Modification Letter dated 24 December 2009 vide Memorial No. 09122902040023.
- (3) The property is subject to a Mortgage to secure all moneys in respect of general banking facilities in favour of The Hong Kong and Shanghai Banking Corporation Limited.
- (4) The property is granted with a hotel/guesthouse licence for a period from 16 July 2011 to 15 July 2016 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The property is zoned for “Other Specified Uses (Business)” use under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
9.	Dorsett Kwun Tong, Hong Kong, No. 84 Hung To Road, Kwun Tong, Kowloon	The property comprises a 30-storey hotel providing a total of 361 guest rooms completed in 2012.	At the Date of Valuation, 1st Floor of the property was let on monthly basis at a total monthly rent of HK\$160,000. A mobile phone base station was let under a licence for a term of 2 years from 1 September 2013 to 31 August 2015 at a monthly fee of HK\$22,000. The remainder of property was operated by the Group as hotel.	HK\$1,120,000,000
	Kwun Tong Inland Lot No. 162	The property has a gross floor area of approximately 11,147.16 sq.m. (119,988 sq.ft.). The locality of the property is served by public transport services and characterised by a mixture of commercial and industrial developments of various ages. The property is held under a Government Lease for a term of 21 years from 1 July 1959 which has been renewed for a further term of 17 years less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Everkent Development Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a legal charge in favour of Wing Hang Bank, Limited.
- (3) The property is subject to a Modification Letter vide Memorial No. 10042100950013 dated 15 April 2010.
- (4) The property is granted with a hotel/guesthouse licence for a period from 20 July 2013 to 19 July 2017 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The property is zoned for "Other Specified Uses" use under Kwun Tong (South) Outline Zoning Plan No. S/K14S/19 dated 18 July 2014.

VALUATION CERTIFICATE

Group II – Properties held and operated by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
10.	Dorsett Tsuen Wan, Hong Kong, No. 25 Kin Hong Street, Nos. 26-34 Kin Chuen Street and No. 659 Castle Peak Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 193	<p>The property comprises a 21-storey hotel providing a total of 547 rooms completed in 2013.</p> <p>The property has a gross floor area of approximately 21,466.819 sq.m. (231,069 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and industrial developments of various ages.</p> <p>The property is held under New Grant No. 4841 for a term of 99 years from 1 July 1898 less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>At the Date of Valuation, 1st Floor of the property was let for a term of 8 years from 1 March 2014 at a monthly rent was HK\$150,000. Portions of the Ground Floor with a total gross floor area of about 343 sq.ft. were let to various tenants at a total monthly rent of HK\$28,000 with the latest lease due to expire in December 2017. The remainder of the property was operated by the Group as hotel.</p>	HK\$1,505,000,000

Notes:

- (1) The registered owner of the property is Panley Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited.
- (3) The property is subject to a Modification Letter vide Memorial No. 13052101590017 dated 16 March 2013.
- (4) The property is granted with a hotel/guesthouse licence for a period from 26 February 2015 to 25 February 2018 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) The property is zoned for "Other Specified Uses" use under Kwai Chung Outline Zoning Plan No. S/K10/28 dated 13 June 2014.

VALUATION CERTIFICATE

Group III – Property held by the Group under development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
11.	Big Orange – Kwai Chung, No. 119 Wo Yi Hop Road, (to be known as “Silka Tsuen Wan, Hong Kong”), Kwai Chung, New Territories Kwai Chung Town Lot No. 167	The property comprises an industrial building which is being converted into a 14-storey hotel. According to the building plans provided by the owner of the property, the property is proposed to be renovated into a 14-storey hotel with a total gross floor area of approximately 12,691.94 sq.m. (136,616 sq.ft.) accommodating a total of 410 rooms. The property is scheduled to be completed in March 2016.	At the Date of Valuation, construction work was in progress.	HK\$540,000,000
		The locality of the property is served by public transport services and characterised by a mixture of commercial and industrial developments of various ages.		
		The property is held under New Grant No. 4787 for a term of 99 years from 1 July 1898 and has been statutorily renewed until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Novel Orient Investments Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Mortgage in favour of Nanyang Commercial Bank Limited for all monies.

- (3) The property is subject to a Waiver Letter vide Memorial No. 13062702220014 dated 30 May 2013 permitting the property be used for hotel purpose together with ancillary accommodation.
- (4) The capital value of the property if completed as at 31 May 2015 is approximately HK\$869,000,000.
- (5) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$272,000,000 and the construction cost incurred is about HK\$78,400,000. In the course of our valuation, we have taken into account such costs.
- (6) The property is zoned for "Other Specified Uses" use under Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014.

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
12. A portion of the retail podium (levels 1, 3 and 4) of Dorsett Shanghai Hotel, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and a 18-storey hotel building which were completed in 2000 and 2008 respectively.</p> <p>The property comprises levels 1, 3 and 4 of the retail podium with a total gross floor area of approximately 1,779.76 sq.m. (19,157 sq.ft.).</p> <p>The property is located at the urban area of Pudong New Area of Shanghai. Developments nearby are mainly commercial and residential developments.</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	At the Date of Valuation, portion of the property with a gross floor area of 392 sq.m. (4,219 sq.ft.) were leased to 2 tenants with the latest tenancy due to expire on 30 October 2019. The remaining portion of the property was vacant.	RMB30,000,000

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd., a wholly owned subsidiary of the Company, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.
- (2) As advised by the Group, the property comprises portions of the development with a gross floor area of approximately 1,779.36 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.
- (3) According to Business Licence No. 310000400231020 dated 12 November 2012, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD36,000,000 for a valid operation period from 20 January 2000 to 19 January 2030.

- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) Ching Chu (Shanghai) Real Estate Development Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- | | |
|--------------------------------------|-----|
| Certificate of Real Estate Ownership | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
13.	Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, and levels 3 to 7 and 9) and office portion (portion of level 10, and whole of levels 17 and 18) of Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p data-bbox="568 449 815 704">Hongkong and Macao Center comprises a 19-storey composite building with basement erected upon a parcel of land with a site area of 5,338.89 sq.m. (57,628 sq.ft.). It was completed in 2000.</p> <p data-bbox="568 740 815 910">The property comprises the retail and office portions with a total gross floor area of 39,305.49 sq.m. (423,084 sq.ft.).</p>	<p data-bbox="871 449 1129 885">At the Date of Valuation, portions of the property with a total gross floor area of 35,618.54 sq.m. (383,398 sq.ft.) were leased to various tenants with the latest tenancy due to expire on 31 December 2019. Portions of the property with a total gross floor area of 1,523.87 sq.m. were owner occupied. The remaining portion of the property was vacant.</p>	RMB355,000,000
		<p data-bbox="568 949 815 1087">The property is located at the urban area of Jiangnan nearby are mainly commercial developments.</p>		
		<p data-bbox="568 1123 815 1268">The land use rights of the property have been granted for a term due to expire on 15 July 2043 for composite use.</p>		

Notes:

- (1) According to 13 Building Ownership Certificates issued by Wuhan Municipal State-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, has been vested in Wuhan Far East Dorsett Hotel Management

Co., Ltd. (武漢遠東帝豪酒店管理有限公司), a wholly owned subsidiary of the Group. The details of the gross floor area of the property are as follows:

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

* The property comprises a portion of Level 1 (Unit 1002) with a gross floor area of 2,489.08 sq.m.

- (2) According to State-owned Land Use Rights Certificate No. Wu (2008) 88 dated 28 February 2008, issued by Wuhan Municipal People's Government (武漢市人民政府), Plot No. A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. has been granted for a term due to expire on 15 July 2043, is held by Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司).
- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established as a limited liability company with a registered capital of USD29,800,000, for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
 - (i) Wuhan Far East Dorsett Hotel Management Co., Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) Wuhan Far East Dorsett Hotel Management Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
14. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Dorsett Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and an 18-storey hotel building. They were completed in 2000 and 2008 respectively.</p> <p>The property comprises level 2 of the retail podium, arcade on the first floor, underground car parks and the hotel portion of the development with a gross floor area of 14,014.27 sq.m. (150,850 sq.ft.) providing 264 rooms which was completed in 2008.</p> <p>The property is located at the urban area of Pudong New District of Shanghai. Developments nearby are mainly commercial and residential developments.</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	At the Date of Valuation, the property was operated by the Group as a hotel.	RMB450,000,000

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd., a wholly owned subsidiary of the Group, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.
- (2) As advised by the Group, the property comprises portions of the development with a gross floor area of 14,014.27 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.

- (3) According to Business Licence No. 310000400231020 dated 12 November 2012, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD36,000,000 for a valid operation period from 20 January 2000 to 19 January 2030.
- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
- (ii) Ching Chu (Shanghai) Real Estate Development Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held and operated by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
15.	Dorsett Wuhan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16 and car park (portion of basement) of Hongkong and Macao Center), No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p>Hongkong and Macao Center comprises a 19-storey composite building with basement erected on a parcel of land with a site area of 5,338.89 sq.m. (57,468 sq.ft.) completed in 2000.</p> <p>The property comprises the hotel portion of the building with a gross floor area of 28,001.16 sq.m. (301,140 sq.ft.) providing 384 guest rooms.</p> <p>The property is located at the urban area of Jiangnan District of Wuhan. Developments nearby are mainly commercial development.</p> <p>The land use rights of the property have been granted for a term expiring on 15 July 2043 for composite use.</p>	At the Date of Valuation, the property was operated by the Group as a hotel.	RMB388,000,000

Notes:

- (1) According to 10 Building Ownership Certificates issued by Wuhan Municipal State-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, has been vested in Wuhan Far East Dorsett Hotel Management

Co., Ltd. (武漢遠東帝豪酒店管理有限公司), a wholly owned subsidiary of the Group. The details of the gross floor area of the property are as follows:

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

* The property comprises a portion of Level 1 (Unit 1002) with a gross floor area of 305.37 sq.m.

- (2) According to State-owned Land Use Rights Certificate No. Wu Guo Yong (2008) Di No. 88 dated 28 February 2008 issued by Wuhan Municipal People's Government (武漢市人民政府), the land use rights of Plot No. A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. have been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) for a term due to expire on 15 July 2043 for composite use.
- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established with a registered capital of USD29,800,000 for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
 - (i) Wuhan Far East Dorsett Hotel Management Co., Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) Wuhan Far East Dorsett Hotel Management Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015								
16. Dorsett Grand Chengdu, 124-177 Xi Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises a hotel erected upon a parcel of land with a site area of approximately 5,865.62 sq.m. (63,138 sq.ft.) completed in 2013.</p> <p>The property has a total gross floor area of approximately 67,616.94 sq.m. (727,829 sq.ft.) with details as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Approximate Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Above ground</td> <td>51,478.41</td> </tr> <tr> <td>Under ground</td> <td>16,138.53</td> </tr> <tr> <td>Total:</td> <td>67,616.94</td> </tr> </tbody> </table>		Approximate Planned Gross Floor Area (sq.m.)	Above ground	51,478.41	Under ground	16,138.53	Total:	67,616.94	At the Date of Valuation, the property was operated by the Group as a hotel.	RMB810,000,000
	Approximate Planned Gross Floor Area (sq.m.)										
Above ground	51,478.41										
Under ground	16,138.53										
Total:	67,616.94										
	<p>The property is located at the urban area of Qingyang District of Chengdu. Developments nearby are mainly commercial developments.</p> <p>The land use rights of the property have been granted for a term expiring on 22 September 2047 for hotel and restaurant uses.</p>										

Notes:

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

- (4) According to Planning Permit for Construction Works No. Cheng Gui Guan (2000) Di No. 1544 issued by Chengdu Urban Planning Bureau on 14 July 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the construction works requirements and have been permitted.
- (5) According to Chengdu Permit for Commencement of Construction Works No. Cheng Jian Shi Jian Zi (1998) No. 0206 issued by Chengdu Construction Committee on 18 September 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the requirements for commencement of works and have been permitted.
- (6) According to Business Licence No. 004095, Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. was established as a limited company with a registered capital of USD38,000,000 for a valid operation period from 30 October 2006 to 29 October 2036.
- (7) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
- (i) Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
- (ii) Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (8) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held and operated by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
17.	Lushan Resort, Wenquan Town, Xingzi County, Jiangxi Province, the PRC	<p>The property is erected upon 2 parcels of land with a site area of 42,868.40 sq.m. (461,435 sq.ft.).</p> <p>The property has a total gross floor area of approximately 35,219.91 sq.m. (379,107 sq.ft.).</p> <p>The property is located at urban area of Xingzi County. Developments nearby are mainly resort and residential developments.</p> <p>The land use rights of the property have been granted for terms due to expire on 31 March 2075 for residential use and due to expire on 14 March 2044 for commercial use.</p>	At the Date of Valuation, the property was under refurbishment.	RMB190,000,000

Notes:

- (1) Pursuant to 2 State-owned Land Use Rights Certificates Nos. (2015)301 and (2015)302 dated 25 March 2015, the land use rights of a parcel of land with a total site area of 42,868.40 sq.m. have been vested in 九江市帝盛酒店管理有限公司, for terms due to expire on 31 March 2075 for residential use and due to expire on 14 March 2044 commercial use respectively.
- (2) According to 19 Building Ownership Certificates Nos. 20140046 to 20140064 issued by Xingzi County Housing Management Bureau (星子縣房地產管理局), the building ownership of the property has been vested in 九江市帝盛酒店管理有限公司.
- (3) According to Business Licence No. 360400520014974 dated 4 September 2013, Dorsett Hospitality International Services Limited was established as a limited liability company on 27 September 2013 with a registered capital of USD16,000,000 for a valid operation period from 4 September 2013 to 3 September 2043.
- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
 - (i) 九江市帝盛酒店管理有限公司 is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) 九江市帝盛酒店管理有限公司 has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015												
18. Dorsett Zhongshan, Xintiecheng Hotel Block A, No.107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	<p>The property comprises a 31-storey hotel erected on a 9-storey podium which is under renovation and scheduled to commence operation in the 3rd quarter of 2015.</p> <p>Upon completion of renovation, the property will provide a total gross floor area of approximately 42,463 sq.m. (457,072 sq.ft.) with details as follows:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>13,607.00</td> </tr> <tr> <td>Hotel</td> <td>26,103.00</td> </tr> <tr> <td>Others</td> <td>1,108.00</td> </tr> <tr> <td>Basement</td> <td>1,645.00</td> </tr> <tr> <td>Total</td> <td>42,463.00</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq.m.)	Commercial	13,607.00	Hotel	26,103.00	Others	1,108.00	Basement	1,645.00	Total	42,463.00	At the Date of Valuation, the property was under renovation.	No commercial value (Please see Note (1))
Portion	Gross Floor Area (sq.m.)														
Commercial	13,607.00														
Hotel	26,103.00														
Others	1,108.00														
Basement	1,645.00														
Total	42,463.00														
	<p>The property is located at the urban area of West District of Zhongshan. Developments nearby are mainly commercial developments.</p> <p>The land use rights of the property have been agreed to be transferred to the Group.</p>														

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the Certificate of Real Estate Ownership had not been obtained by the Group. Had the valid Certificate of Real Estate Ownership been issued to the Group and all land premium and related fees for the grant of the certificate (which is included in the auction price of RMB121,500,000) been fully settled, the market value of the property as at the valuation date would be RMB220,000,000. The Group has paid a portion of the auction price of RMB95,000,000 and is expected to pay the balance of RMB26,500,000 once the relevant government authorities complete the process of transferring the Certificate of Real Estate Ownership to the Group. The timeline for payment depends therefore on the processing by the relevant government authorities but the Group expects that this may take place within the next 24 months.
- (2) According to Guangdong Certificate of Real Estate Ownership No. 4851081 issued by the People's Government of Guangdong on 30 April 1997, the land use rights and building ownership of the

property, comprising a total gross floor area of approximately 42,635.336 sq.m., have been vested in Industrial and Commercial Bank of China, Zhongshan Branch.

- (3) According to the Foshan Auction Confirmation 08-02 entered into between Foshan Fajian Auction Limited (Party A) and Shanghai Ching Chu Property Development Co., Ltd. (上海錦秋房地產有限公司), a wholly owned subsidiary of the Company (Party B) dated 29 January 2008, the subject building ownership under the Real Estate Ownership No. 4851081 (Block A of Xintiecheng Hotel Zhongshan) with a total gross floor area of 42,635.336 sq.m. is auctioned by Party A and agreed to be sold to Party B at a price of RMB121,500,000 while the land use rights of the property are still vested in Industrial and Commercial Bank of China, Zhongshan Branch.
- (4) According to Business Licence No. 310000400231020 dated 12 November 2012, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD36,000,000 for a valid operation period from 20 January 2000 to 19 January 2030.
- (5) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:
- (i) A portion of the auction price being RMB95,000,000 has been paid. The balance of the auction price being RMB26,500,000 has not been fully settled; and
- (ii) After obtaining the relevant certificate of the property, Ching Chu (Shanghai) Real Estate Development Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- | | |
|----------------------|-----|
| Auction Confirmation | Yes |
| Business Licence | Yes |



Raine & Horne International
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)

Perpetual 99, Jalan Raja Muda Abdul Aziz

50300 Kuala Lumpur, Malaysia

Telephone : 03-2698 0911

Fax : 03-2691 1959

Email : rhizpk1@streamyx.com

The Directors
Dorsett Hospitality International Limited
18/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

31 August 2015

Dear Sirs,

RE:

- A) A 5-STAR HOTEL BUILDING COMPRISING THREE (3) STOREY PODIUM BLOCK WITH EIGHT (8) STOREY AND FOURTEEN (14) STOREY HOTEL TOWERS, A SINGLE STOREY GALLERY AND A FOUR (4) STOREY CAR PARK BUILDING TOGETHER WITH AN EXCESS LAND (5.180 ACRES) BEARING POSTAL ADDRESS DORSETT GRAND SUBANG HOTEL, JALAN SS 12/1, SECTION SS 12, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN;
- B) A NINE (9) STOREY 5-STAR HOTEL BUILDING (178 ROOMS) WITH A SEMI-BASEMENT CAR PARK KNOWN AS DORSETT GRAND LABUAN HOTEL, WILAYAH PERSEKUTUAN LABUAN;
- C) A THIRTY (30) STOREY 4-STAR HOTEL BUILDING (320 ROOMS) WITH THREE (3) LEVELS BASEMENT CAR PARK KNOWN AS DORSETT REGENCY HOTEL BEARING POSTAL ADDRESS DORSETT REGENCY HOTEL, 172, JALAN IMBI, 55100 KUALA LUMPUR;
- D) 179 ROOM 3-STAR HOTEL SITUATED ON 21ST FLOOR TO 30TH FLOOR OF A THIRTY THREE (33) STOREY HOTEL & SERVICED APARTMENTS BUILDING KNOWN AS SILKA MAYTOWER KUALA LUMPUR BEARING POSTAL ADDRESS NO. 7, JALAN MUNSHI ABDULLAH, 50100 KUALA LUMPUR;

- E) 248 ROOM 3-STAR HOTEL WITHIN A TEN (10) STOREY HOTEL/ SERVICED APARTMENT BUILDING KNOWN AS SILKA JOHOR BAHRU HOTEL, JOHOR, MALAYSIA; AND
- F) EIGHT (8) DOUBLE STOREY SEMI-DETACHED HOUSES AND FOURTEEN (14) DOUBLE STOREY TERRACE HOUSES BEARING POSTAL ADDRESS NOS. 4 TO 7, 32 TO 40, 43 TO 46 AND 48 TO 52, JALAN OKK DAUD, TAMAN SE A HUAT, 87000 WILAYAH PERSEKUTUAN LABUAN

1. INSTRUCTION

In pursuance to the instruction for us to carry out market valuations of the above captioned properties held by Dorsett Hospitality International Limited (the "Company") and its subsidiaries (together referred to as the "Group" situated in 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 31st May 2015 (referred to as the "valuation date").

2. BASIS OF VALUATION

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

3. METHOD OF VALUATION

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

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

4. ASSUMPTIONS

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

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

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

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

5. TITLE INVESTIGATION

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

6. LIMITING CONDITIONS

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

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

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

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

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

7. CURRENCY

The Market Values of all the subject properties are stated in Ringgit Malaysia ("RM").

8. TAXATION

According to the information provided by the Group, the potential tax liability of properties located in Malaysia which would arise on disposal of properties A, B, C, D, E and F is real property gain tax at 5%. The likelihood of the relevant tax liability being crystallized is remote as the Group has no plan for the disposal of the subject properties.

9. REMARKS

The properties' interests have been valued as follows:-

Properties' Interests	Market Values as at 31st May 2015
A. DORSETT GRAND SUBANG HOTEL Jalan SS 12/1, Section SS 12, 47500 Subang Jaya, Selangor Darul Ehsan.	RM351,000,000.00
B. DORSETT GRAND LABUAN HOTEL No. 462, Jalan Merdeka, 87029 Wilayah Persekutuan Labuan.	RM82,000,000.00
C. DORSETT REGENCY HOTEL 172, Jalan Imbi, 55100 Kuala Lumpur.	RM154,000,000.00
D. SILKA MAYTOWER KUALA LUMPUR No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur.	RM82,000,000.00
E. SILKA JOHOR BAHRU HOTEL Lot 101375, Jalan Masai Lama, Mukim Plentong, 81750 Masai, Johor Darul Takzim.	RM80,000,000.00
F. TAMAN SEA HUAT, LABUAN Eight (8) double storey semi-detached houses and fourteen (14) double storey terrace houses.	RM4,890,000.00
TOTAL MARKET VALUE	RM753,890,000.00

We enclosed herewith our summary of valuation and valuation certificates.

Yours faithfully,

For and on behalf of

Raine & Horne International Zaki + Partners Sdn. Bhd.

Noraini Binti Jaafar Sidek

Registered Valuer (MRISM)

Reg. No. V-523

Note: Noraini Binti Jaafar Sidek is a Member of the Royal Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 20 years experience in valuation properties in Malaysia for listed companies.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
A.	A 5-star hotel building comprising three (3) storey podium block with eight (8) storey and fourteen (14) storey hotel towers, a single storey gallery and a four (4) storey car park building together with an access land (5.180 acres) bearing postal address Dorsett Grand Subang Hotel, Jalan SS 12/1, Section SS 12, 47500 Subang Jaya, Selangor Darul Ehsan	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: Lot 16: 37,790 sq. metres (406,768 sq. ft.)</p> <p>The total gross floor area of the building is about 46,552.88 sq. metres (501,091 sq. ft.) with 478 rooms.</p> <p>The approximate age of building is 12 years.</p> <p>The land is of freehold interest and to be used for commercial buildings only.</p> <p>The land is Lot 16 held under Title No. GRN 314048, Bandar Subang Jaya, District of Petaling, State of Selangor.</p> <p>Annual government rent is RM37,790.00.</p>	<p>The subject property is managed by the owner, Subang Jaya Hotel Development Sdn. Bhd.</p> <p>The occupancy rate of the subject property is 59.64%.</p>	RM351,000,000.00

Notes:

- (i) The ownership of the property is Subang Jaya Hotel Development Sdn. Bhd; (Company No. 44190-A).
- (ii) The subject property is currently charged twice to PUBLIC BANK BERHAD vide Presentation Nos. 38806/2012 and 38807/2012 dated 20th April 2012.
- (iii) The land is partly leased to LEMBAGA LETRIK NEGARA, TENAGA NASIONAL BERHAD for 30 years from 1st February 1987 and expiring on 31st January 2017.
- (iv) The property is situated within an area zoned for commercial use.
- (v) The status of the title and licences in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
B. A nine (9) storey 5-Star hotel building (178 rooms) with a semi-basement car park bearing postal address Dorsett Grand Labuan Hotel, No. 462, Jalan Merdeka, 87029 Wilayah Persekutuan Labuan.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 6,071 sq. metres (65,348 sq. ft.).</p> <p>The total gross floor area of the building is about 21,564.98 sq. metres (232,123 sq. ft.).</p> <p>The age of building is about 19 years.</p> <p>The land is of 99 years leasehold interest expiring on 31st December 2090. The unexpired term of the lease is approximately 75 years and to be used for the purpose of a hotel.</p> <p>The land is Lot No. 2075331888 held under Title No. PN 347, Bandar Labuan, District and State of W. Persekutuan Labuan.</p> <p>Annual government rent: RM12,141.00</p>	<p>The subject property is currently managed by the owner, Merlin Labuan Sdn. Bhd (now known as Merdeka Labuan Sdn. Bhd).</p> <p>The occupancy rate of the subject property is 69.10%.</p>	RM82,000,000.00

Notes:

- (i) The ownership of the property is Merlin Labuan Sdn. Bhd. (Company No. 109695-U), now known as Merdeka Labuan Sdn. Bhd.
- (ii) The land is free from encumbrances.
- (iii) The property is situated within an area zoned for commercial use.
- (iv) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
C. A thirty (30) storey 4-Star hotel building (320 rooms) with three (3) levels basement car park bearing postal address Dorsett Regency Hotel, 172, Jalan Imbi, 55100 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 1,270 sq. metres (13,670 sq. ft.)</p> <p>The total gross floor area of the building is about 27,752.58 sq. metres (298,726. sq. ft.).</p> <p>The age of building is about 16 years.</p> <p>The land is of freehold interest and to be used for commercial building only.</p> <p>The land is held under Lot 1300 Seksyen 67 held under Title No. GRN 49963, Town and District of Kuala Lumpur, Wilayah Persekutuan KL.</p> <p>Annual government rent is RM5,842.00.</p>	<p>The subject property is currently managed by the owner, Dorsett Regency Hotel (M) Sdn. Bhd.</p> <p>The occupancy rate of the subject property is 78.9%.</p>	RM154,000,000.00

Notes:

- (i) The ownership of the property is Dorsett Regency Hotel (M) Sdn. Bhd.(Company No:199686-K)
- (ii) The subject property is currently charged to PUBLIC BANK BERHAD vide Presentation No. 46394/2011 dated 5th December 2011.
- (iii) A Private Caveat was entered by PUBLIC BANK BERHAD vide Presentation No. 15172/2011 dated 12th September 2011.
- (iv) Part of the land (360 sq. ft.) has been leased to Tenaga Nasional Berhad for 30 years commencing from 8/2/2000 until 7/2/2030.
- (v) The property is situated within an area zoned for commercial use.
- (vi) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
D. 179 room 3-star hotel situated on 21st Floor to 30th Floor of a 33 storey hotel & serviced apartments building bearing postal address Silka Maytower Kuala Lumpur, No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur. The subject property is sited fronting Jalan Munshi Abdullah, Kuala Lumpur	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 2,162 sq. metres (23,271 sq. ft.)</p> <p>The subject property has a total stratified area of 4,745 sq. metres (51,074 sq. ft.) presently issued with one hundred and twenty (120) strata titles.</p> <p>The building comprises eleven (11) storey service apartments, ten (10) storey 3-Star Hotel, one (1) storey of podium level, one (1) storey of mezzanine level, one (1) storey of lobby level, two (2) storey of offices and seven (7) storey of car parks.</p> <p>The age of building is about 7 years.</p> <p>The subject land comprises a parcel of building land designated for commercial use.</p> <p>Annual government rent is RM9,946.00.</p>	<p>The subject property is currently managed by Venue Summit Sdn. Bhd.</p> <p>The occupancy rate of the subject property is 80.9%.</p>	RM82,000,000.00

Notes:

- (i) The ownership of the property is Venue Summit Sdn. Bhd.
- (ii) The subject property is free from encumbrances.
- (iii) The property is situated within an area zoned for commercial use.
- (iv) Venue Summit Sdn. Bhd. is a limited liability company incorporated in Malaysia on 7th April 2006 which is 100% owned by the group.
- (v) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

E.	Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
	<p>248 room 3-star hotel a ten (10) storey hotel/serviced apartment building known as Silka Johor Bahru Hotel, Lot 101375, Jalan Masai Lama, Mukim Plentong, 81750 Masai, Johor Darul Takzim, Malaysia</p> <p>The subject property is sited off the south-western side of Lebuhraya Pasir Gudang and alongside Jalan Masai Baru, Johor Bahru.</p>	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site area: 4,370.00 sq. metres (47,038.24 sq. ft.)</p> <p>Built Site Area: 4,370 sq. metres (47,038.24 sq. ft.)</p> <p>Total Floor Area (Stratified): 8,899 sq. metres (95,788.00 sq. ft.)</p> <p>The age of building is about 7 years.</p> <p>The strata titles are freehold interest and free from any encumbrances.</p> <p>The subject property is held under 47 strata titles which are GRN358714/M7/1/882-884, GRN358714/M7/1/887, GRN358714/M7/1/890, GRN358714/M7/2/901, GRN358714/M7/2/904-908, GRN358714/M7/3/910-911, GRN358714/M7/4/913-926, GRN358714/M7/6/929, GRN358714/M7/7/934-937, GRN358714/M7/8/939-945, GRN358714/M7/9/948, GRN358714/M7/9/950-951, GRN358714/M7/10/954-956, GRN358714/M7/10/958 & GRN358714/M7/10/960, all under Lot 66270, Mukim of Plentong, District of Johor Bahru, State of Johor.</p> <p>Annual government rent is RM22,743.84.</p>	<p>The subject property is currently managed by Success Range Sdn. Bhd.</p> <p>The occupancy rate is 58.87%</p>	RM80,000,000.00

Notes:

- (i) The strata titles of the property are registered under Mayland Project (Johor) Sdn. Bhd. (Company No. 478695-T).

Based on a Sale and Purchase Agreement dated 20th June 2006, the ownership of the property is Success Range Sdn. Bhd., a wholly owned subsidiary of the Group.

- (ii) The land is free from encumbrances.
- (iii) The property is situated within an area zoned for commercial use.
- (iv) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
F. Eight (8) double storey semi-detached houses and fourteen (14) double storey terrace houses bearing postal address No. 4 to 7, 32 to 40, 43 to 46 and 48 to 52, Jalan OKK Daud, Taman Sea Huat, 87000 Wilayah Persekutuan Labuan.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Double storey semi-detached houses: Site area: About 190.00 sq. metres (2,045 sq. ft.) each.</p> <p>Double storey terrace houses: Site area: Generally from 183.76 sq. metres (1,978 sq. ft.) to 200.00 sq. metres (2,155 sq. ft.) each.</p> <p>The age of buildings is about 19 years.</p> <p>The subject properties are of 99 years leasehold expiring on 22nd June 2057. The unexpired term of the lease is approximately 45 years and to be used for residential building only.</p>	The subject properties are unoccupied as well as occupied by owner's staff.	RM4,890,000.00

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31st May 2015
	<p>The land is held under Lot Nos. 205325373, 205325382, 205325391, 205325408, 205325659, 205325668, 205325677, 205325686, 205325695, 205325702, 205325711, 205325720, 205325739, 205325766, 205325775, 205325784, 205325793, 205325819, 205325828, 205325837, 205325846 and 205325855 held under Title Nos. PN 2844, PN 2843, PN 2842, PN 2841, PN 675, PN 673, PN 672, PN 671, PN 668, PN 670, PN 667, PN 666, PN 665, PN 792, PN 791, PN 790, PN 789, PN 785, PN 786, PN 836, PN 783 PN 781, Town of Labuan, District and State of W. Persekutuan Labuan.</p> <p>Total annual government rent is RM1,628.50.</p>		

Notes:

- (i) The ownership of the properties is Merlin Labuan Sdn. Bhd. (Company No. 109695 U), now known as Merdeka Labuan Sdn. Bhd.
- (ii) The subject properties are all free from encumbrances.
- (iii) The properties are situated within an area zoned for residential use.
- (iv) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership

Yes



Savills Valuation and
Professional Services (S) Pte Ltd
Reg No: 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712
T: (65) 6836 6888
F: (65) 6536 8611

savills.com

Our Ref: MKT/2015/C-THI/JY/0476
 MKT/2015/C-TSP/JY/0477
 MKT/2015/C-TSP/JY/0478

31 August 2015

**Tang Hotel Investments Pte. Ltd. and
Tang Suites Pte. Ltd. (together, the "Clients")**
100A Eu Tong Sen Street #03-02
Pearls Centre Office Podium
Singapore 059813

Dear Sirs

Valuation of:

- 1) **333 NEW BRIDGE ROAD, DORSETT SINGAPORE, SINGAPORE 088765**
- 2) **331 NEW BRIDGE ROAD #01-02, #01-03 & #01-04 DORSETT RESIDENCES,
SINGAPORE 088764**
- 3) **331 NEW BRIDGE ROAD #06-02 DORSETT RESIDENCES, SINGAPORE 088764
(collectively referred to as "the Properties")**

In accordance with your instructions to us, we are to provide our opinion of the market values of the Properties as at 31 May 2015, subject to existing lease and occupancy arrangements. We are to prepare valuation certificates for the purpose of inclusion in a public circular.

Our valuation is our opinion of the Market Value of the property which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In arriving at our opinion of the market values, we have adopted the Market Comparison Method as our primary method.

We have fully relied on information provided by the Clients as well as obtained from reliable agencies and sources in the public domain. In the event that the actual information of the Properties such as dimensions, measurements and areas when made available to us, differs from our estimates we reserve the right to review our valuation.

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

We are pleased to set out below a summary of values and enclose our valuation certificates for your attention.

	Property	Market Value as at 31 May 2015
1	333 North Bridge Road DORSETT SINGAPORE Singapore 088765	S\$231,000,000
2	331 North Bridge Road #01-02, #01-03 & #01-04 DORSETT RESIDENCES Singapore 088764	S\$30,100,000
3	331 North Bridge Road #06-02 DORSETT RESIDENCES Singapore 088764	S\$2,200,000
	TOTAL:	<u>S\$263,300,000</u>

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services (S) Pte Ltd

Daniel Ee
Appraiser's Licence No. AD041-2004607E
Senior Director

Note: There is no Capital Gain Tax for the properties in Singapore, but we have been advised by the Clients that the potential tax liability include Corporate Tax of 17% on company's profits before tax. For the hotel and commercial portion, the likelihood of the relevant tax liabilities being crystalized is remote as the Clients have no plan for their disposal at this juncture. As for the residential unit, the Clients have indicated their intention to dispose of the property and the potential tax liability will be the Corporate Tax of 17% levied on the company's profit before tax. However, the Clients will not be subjected to Seller's Stamp Duty (SSD) as we are given to understand that the development site on which the Properties were built was acquired on 3 September 2009, before the SSD's effective date of 20 February 2010.

encl.

VALUATION CERTIFICATE

The Property	Brief Description	Market Value as at 31 May 2015
333 North Bridge Road DORSETT SINGAPORE Singapore 088765	DORSETT SINGAPORE is a 10-storey hotel with 285 rooms and a restaurant on the 1st storey. It is linked at the 2nd to 6th storeys to the 6-storey Dorsett Residences. Together, the two blocks ("the Development") have street frontages onto the main roads and are directly linked to the Outram Park Mass Rapid Transit ("MRT") station which is an interchange station between the East-West and the North-East Lines.	S\$231,000,000/- (Singapore Dollars Two Hundred and Thirty-One Million Only)
Legal Description Strata Lot U1028N of Town Subdivision 5		
Tenure Leasehold — 99 years commencing from 7 December 2009	The Development is strategically situated at the main intersection between New Bridge Road and Cantonment Road, on the fringe of Singapore's Central Business District.	
Registered Owner Tang Hotel Investments Pte. Ltd., a subsidiary of Dorsett Hospitality International Limited and its subsidiaries	There is easy access to other parts of Singapore via the Central Expressway and Ayer Rajah Expressway. Occupying a total land area of 4,650.4 sq metres, the Development was completed and obtained its Temporary Occupation Permit on 30 January 2013. The strata floor area of the Hotel is 13,005.0 sq metres including strata void of 1,440 sq metres. It has a share value of 8,306/10,000 in the common property of the Development. Accommodation is as follows:	
	1st Storey	Drop-off porch, hotel reception lobby, restaurant with kitchen, business centre with meeting room, male/female toilets, back-of-house and building services
	2nd Storey	Hotel rooms, car park, back-of-house and store rooms
	3rd Storey	Hotel rooms, jacuzzi, swimming pool, reflective pool, pool deck, gymnasium, pavilion, landscaped pond and changing rooms
	4th to 6th Storey	Hotel rooms and store room
	7th Storey	Hotel rooms and roof garden
	8th to 10th Storey	Hotel rooms and store room

Note: For the hotel, the likelihood of the relevant tax liabilities being crystalized is remote as the Clients have no plan for their disposal at this juncture.

The Property	Brief Description	Market Value as at 31 May 2015															
<p>331 North Bridge Road #01-02, #01-03 & #01-04 DORSETT RESIDENCES Singapore 088764</p> <p>Legal Description Strata Lots U957V, U958P and U959T (respectively) of Town Subdivision 5</p> <p>Tenure Leasehold — 99 years commencing from 7 December 2009</p> <p>Registered Owner Tang Hotel Investments Pte. Ltd., a subsidiary of Dorsett Hospitality International Limited and its subsidiaries</p>	<p>The Property comprises 3 commercial units on the 1st storey of DORSETT RESIDENCES, a 6-storey residential block of 68 apartments with 1st storey commercial. It is linked at the 2nd to 6th storeys to the Dorsett Singapore, a 10-storey 285-room hotel. Together, the two blocks (“the Development”) have street frontages onto the main roads and are directly linked to the Outram Park Mass Rapid Transit (“MRT”) station which is an interchange station between the East-West and the North-East Lines.</p> <p>The Development is strategically situated at the main intersection between New Bridge Road and Cantonment Road, on the fringe of Singapore’s Central Business District.</p> <p>There is easy access to other parts of Singapore via the Central Expressway and Ayer Rajah Expressway.</p> <p>Occupying a total land area of 4,650.4 sq metres, the Development was completed and obtained its Temporary Occupation Permit on 30 January 2013.</p> <p>The Property has a total strata floor area of 642.0 sq metres and a total share value of 512/10,000 in the common property of the Development, comprising as follows:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Unit No.</th> <th style="text-align: center;">Strata Area <i>in sq metres</i></th> <th style="text-align: center;">Share Value*</th> </tr> </thead> <tbody> <tr> <td>#01-02</td> <td style="text-align: center;">145.0</td> <td style="text-align: center;">116</td> </tr> <tr> <td>#01-03</td> <td style="text-align: center;">244.0</td> <td style="text-align: center;">194</td> </tr> <tr> <td>#01-04</td> <td style="text-align: center; border-top: 1px solid black;">253.0</td> <td style="text-align: center; border-top: 1px solid black;">202</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">642.0</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">512</td> </tr> </tbody> </table>	Unit No.	Strata Area <i>in sq metres</i>	Share Value*	#01-02	145.0	116	#01-03	244.0	194	#01-04	253.0	202	Total	642.0	512	<p>S\$30,100,000/- (Singapore Dollars Thirty Million and One Hundred Thousand Only)</p>
Unit No.	Strata Area <i>in sq metres</i>	Share Value*															
#01-02	145.0	116															
#01-03	244.0	194															
#01-04	253.0	202															
Total	642.0	512															
	<p>* out of a total share value of 10,000 for the Development.</p> <p>All the units are currently tenanted and used as food & beverage outlets.</p>																

Note: For the commercial units, the likelihood of the relevant tax liabilities being crystalized is remote as the Clients have no plan for their disposal at this juncture.

VALUATION CERTIFICATE

The Property	Brief Description	Market Value as at 31 May 2015
<p>331 North Bridge Road #06-02 DORSETT RESIDENCES Singapore 088764</p> <p>Legal Description Strata Lot U967L of Town Subdivision 5</p> <p>Tenure Leasehold — 99 years commencing from 7 December 2009</p> <p>Registered Owner Tang Hotel Investments Pte. Ltd., a subsidiary of Dorsett Hospitality International Limited and its subsidiaries</p>	<p>The Property is a top floor apartment within DORSETT RESIDENCES, a 6-storey residential block of 68 apartments with 1st storey commercial. It is linked at the 2nd to 6th storeys to the Dorsett Singapore, a 10-storey 285-room hotel. Together, the two blocks (“the Development”) have street frontages onto the main roads and are directly linked to the Outram Park Mass Rapid Transit (“MRT”) station which is an interchange station between the East-West and the North-East Lines.</p> <p>The Development is strategically situated at the main intersection between New Bridge Road and Cantonment Road, on the fringe of Singapore’s Central Business District.</p> <p>There is easy access to other parts of Singapore via the Central Expressway and Ayer Rajah Expressway.</p> <p>Occupying a total land area of 4,650.4 sq metres, the Development was completed and obtained its Temporary Occupation Permit on 30 January 2013.</p> <p>The Property has a strata floor area of 112.0 sq metres and a share value of 21/10,000 in the common property of the Development.</p> <p>The unit features a living/dining area with a kitchenette, a master bedroom with attached bathroom and walk-in wardrobe, a 2nd bedroom, a study, common bathroom and a balcony wrapping around the bedrooms, study and living/dining area.</p> <p>We are given to understand that it is currently tenanted.</p>	<p>S\$2,200,000/- (Singapore Dollars Two Million and Two Hundred Thousand Only)</p>

Note: The Clients have indicated their intention to dispose of the apartment unit and we have been advised by the Clients that the potential tax liability include corporate tax of 17% on company’s profits before tax. However, the Clients will not be subjected to Seller’s Stamp Duty (SSD) as we are given to understand that the development site on which the property was built was acquired on 3 September 2009, before the SSD’s effective date of 20 February 2010. Other than the potential corporate tax of 17% on company’s profits before tax upon disposal of the apartment unit, it is not expected that there would be other material potential tax liability in connection with the disposal of the apartment unit.

SAVILLS VALUATION AND PROFESSIONAL SERVICES (S) PTE LTD (“SAVILLS”)

LIMITING CONDITIONS

- 1) Savills shall advise the Client on the market value of the interest in the property for the purpose as specified by the Client.

The valuation is our opinion of the market value of the property which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”

The opinion expressed in the valuation report applies strictly on the terms of and for the purpose expressed in the valuation. Hence, the value shall never be quoted out of context in connection with any other assessment.

- 2) Unless otherwise stated, the currency in which the valuation is to adopt shall be Singapore Dollars. Our valuation is carried out in accordance with the Singapore Institute of Surveyors and Valuers (“SISV”) Valuation Standards and Guidelines.

Our valuation shall be based on information and data available as at the date of valuation and will not reflect future values or predictions. No allowance shall be made in our valuation for any mortgages, charges or amounts owing on the property or for any taxation or other expenses, which would be incurred in effecting a sale.

Our report is valid for a period of 3 months from the date of valuation.

- 3) In arriving at the value of a property, Savills shall, unless otherwise expressly agreed, make the following assumptions:

- a) The property is of a good title and is not subject to any unusual restrictions, encumbrances or outgoing.
- b) The property is not subject to any statutory notice dealing with a situation or situations that may contravene with any of the statutory restrictions.
- c) The property (if completed) is free from rot or other defects and no deleterious materials have been used in the construction of the property. Savills has exercised due care in the course of our inspection to have regard to the condition and state of repair of the property. We will not, however, carry out any structural survey or inspect any woodwork or any other parts of the structure of the property which are covered, unexposed or inaccessible. In addition we shall not be required to note or have regard to or make any investigation or inspection of the state and condition of the building or development to which the property forms part.
- d) The building services within the property are in good working order. Our inspection is neither a structural survey of the building nor a testing of its service installations.
- e) The property (if development site) is in a condition suitable for development. Savills shall not be required to carry out investigations on site in order to ascertain the suitability of the ground conditions, and the services, for any new development. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

We have no duty to verify the above-mentioned assumptions.

- 4) Savills shall only be responsible to the Client and is not liable to any other party in connection with the valuation as the advice contained therein is limited to the scope of the instructions received. Neither Savills nor any Savills employee is required to appear in court to give testimony by reason of the valuation unless prior arrangement has been made and we are appropriately reimbursed.
- 5) Unless expressly stated in this report, neither the whole or any part of the valuation nor any reference to it may be included in any published document, circular, statement or publication in any way without Savills’ prior written approval of the form and context in which it may appear.

- 6) Any liability arising from our negligence, if any, in connection with this engagement shall be limited to the amount of fees received for this engagement.
- 7) In preparing the valuation report, Savills shall, unless otherwise expressly agreed, rely upon information provided by the Client or the Client's legal or professional advisers such as tenure, areas, tenancies and other relevant matters. This information is believed to be reliable and Savills disclaims all responsibility if this should subsequently prove not to be so. We therefore take no responsibility for inaccurate data supplied and subsequent conclusions related to such data.
- 8) It is Savills' practice to destroy documents and records belonging to Savills after more than 7 years. In undertaking this engagement the Client's data/documents may become filed amongst Savills own papers. The Client consents that the aforesaid data retention arrangements are acceptable.

From: HVS — London Office
7-10 Chandos Street
Cavendish Square
London W1G 9DQ
UK



31 August 2015

To: Dorsett Hospitality International Limited
18th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sirs

Re: Portfolio Valuation

In accordance with your request, we herewith submit our Valuation Report pertaining to the properties held in the United Kingdom (the "UK"). HVS has valued the properties acting as an independent valuer and our report has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, January 2014. The subject of the Valuation Report is the freehold interest in the properties held by Dorsett Hospitality International Limited ("the Company") and/or its subsidiaries associated with companies in the UK (together referred to as "the Group"). We can confirm that we have carried out inspections, made relevant enquiries and searches and obtained further information that we consider necessary for the purpose of providing you with our opinion of the values of those properties as at 31 May 2015 (the "Date of Valuation").

The objective of the Valuation Report is to represent the properties' Market Values.

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.'*¹

Unless otherwise stated, we have assumed that the properties valued are owned outright.

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

¹ Royal Institution of Chartered Surveyors' (2014) *RICS Valuation – Professional Standards*

Taxation

According to the information provided by the Group, the gain on disposal of properties located in the United Kingdom is not subject to Capital Gains Tax. This is because of the assets holding structures (Offshore – British Virgin Islands and Isle of Man) the Group employed following tax structuring advice from its tax advisors.

Method of Study

The methodology used to develop this Valuation Report, in respect to the hotel assets, has been based on the market research and valuation techniques set out in the textbooks written by HVS for the American Institute of Real Estate Appraisers and the Appraisal Institute, and entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ *Hotels & Motels: Valuations and Market Studies*,⁶ and *Hotel Market Analysis and Valuation: International Issues and Software Applications*.

For the other real estate asset classes, we have generally valued the properties either by direct comparison method by making reference to comparable sales transactions as available in the relevant market or, when appropriate, by capitalising the rental income.

Scope of the Valuation Report

All information was collected and analysed by the staff of HVS. Information such as historical operating statements, site plans, tenure, identification of land and buildings, completion date of buildings, development schemes, construction schedules and costs, floor plans and areas, site plans and areas, and so forth was supplied by the Group. We have assumed that this information is accurate and we have therefore relied upon it without undertaking any independent verification. We have investigated comparable transaction data in the market area and have spoken with buyers, sellers, brokers, property developers and public officials.

Property Rights Valued

The property rights valued are the freehold interest in the land and the premises, including the furniture, fixtures and equipment (FF&E).

² Stephen Rushmore (1978) *The Valuation of Hotels and Motels*, American Institute of Real Estate Appraisers, Chicago.

³ Stephen Rushmore (1983) *Hotels, Motels and Restaurants: Valuations and Market Studies*, American Institute of Real Estate Appraisers, Chicago.

⁴ Stephen Rushmore (1990) *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*, American Institute of Real Estate Appraisers, Chicago.

⁵ Stephen Rushmore (1992) *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*, Appraisal Institute, Chicago.

⁶ Stephen Rushmore and Erich Baum (2001) *Hotels & Motels: Valuations and Market Studies*, Appraisal Institute, Chicago

Title Investigation

We have not been provided with copies of the title documents relating to the properties and have relied on the information provided to us by the Group.

Property Inspection

Luisa Russell inspected the exterior, and wherever possible, the interior of the properties between 6 May 2015 and 16 June 2015. No structural survey has been made, but in the course of our inspections we did not note any serious defects. However, we are not able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. For the properties that are under future development, we have not carried out any soil investigations to determine the sustainability of soil conditions and services for any future development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Currency

All financial data, projections and opinions of value are expressed in pounds sterling.

We hereby certify that we have no undisclosed interest in the properties, and that our employment and compensation are not contingent upon our findings and valuation. In the following pages, we present the summary of valuations and our valuation certificates.

These opinions of value and the entire report are subject to the comments made throughout and to all assumptions and limiting conditions set out herein.

Yours faithfully
HVS – LONDON OFFICE

Luisa Russell
Senior Associate

Charles Human, MRICS
Managing Director

LR:CH:lf
HVS No: 2015050140

ADDENDUM 1 — VALUATION SUMMARY

Table A1-1 — Summary of Values

Property	Capital Value in Existing State as at 31 May 2015
Group I — Properties held by the Group under development in the UK	
1. Proposed Hotel Aldgate City — 9-13 Aldgate High Street, London EC3N UK	£45,900,000
Group II — Properties held by the Group for future development in the UK	
2. Walkabout Pub — 56 Shepherd’s Bush Green, London W12 8QE, UK*	£10,000,000
Group III — Properties held by the Group for investment in the UK	
3. Residential dwelling — 38 Pennard Road, London W12, UK	£1,500,000
Group IV — Properties held and operated by the Group in the UK	
4. Dorsett Shepherd’s Bush — 58 Shepherd’s Bush Green, London W12 8QE, UK	£72,000,000

* *Special Note:* We understand that planning for the original scheme as per our valuation as at 31 March 2015 has been rejected. We have made the special assumption that a new scheme with similar facilities will receive planning permission.

ADDENDUM 2 — VALUATION CERTIFICATE

Table A2-1 Group I — Properties held by the Group under development in the UK

Property	Description and Tenure	Particulars of Occupancy	Expected date of Completion	Development Cost	Capital value at Completion	Capital Value in Existing State as at 31 May 2015
1. Proposed Hotel Aldgate City — 9-13 Aldgate High Street, London EC3N UK	<p>The development comprises a 13-storey building with 270 hotel rooms to be erected on a site with a registered site area of approx. 0.07 hectares.</p> <p>The proposed development has a total gross external area of 9,734 m².</p> <p>The property is on Aldgate High Street, St Botolph Street. The general location is characterised by commercial and residential developments.</p>	The hotel is to be operated by Dorsett upon opening in 2017.	Q2 2017	£50,300,000	£96,000,000	£45,900,000

Notes:

1. We have recently valued the property as at 31 May 2015 for the Group at £45,900,000 for asset evaluation purposes.
2. The registered owner of the property is Elite Region Limited, a subsidiary of the Group.
3. The property has received planning approval for hotel use in April 2014, without any conditions attached.

**Table A2-2 Group II — Properties held by the Group for future development in the UK
Continued**

Property	Description and Tenure	Particulars of Occupancy	Expected date of Completion	Development Costs	Capital value at Completion	Asset requiring Regulatory Approval	Capital value in Existing State as at 31 May 2015
2. Walkabout Pub — 56 Shepherd's Bush Green, London W12 8QE, UK	<p>The development comprises a part seven- and part 16-storey building with 54 serviced apartment units and seven residential apartments, to be erected on a site with a registered site area of approx. 0.34 hectares.</p> <p>The proposed development has a total gross internal area of 4,975 m².</p> <p>The property is at Shepherd's Bush Green and Rockwood Place leading to Pennard Road.</p>	The serviced apartments are to be operated by Dorsett upon opening in Q4 2017. The residential units are to be sold.	Q4 2017	£21,100,000	£31,800,000	Walkabout planning application in progress	£10,000,000

Notes:

1. We have recently valued the property as at 31 May 2015 for the Group at £10,000,000 for asset evaluation purposes.
2. The registered owner of the property is Direct Excel Limited, subsidiary of the Group.
3. We have assumed that the development will receive planning approval in line with the above stated particulars.

Table A2-3 Group III — Properties held by the Group for investment in the UK

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 31 May 2015
3. 38 Pennard Road	<p>We understand that this property is held freehold and is currently unoccupied.</p> <p>The property has a gross internal area of 214 m².</p> <p>The property is on Pennard Road, Shepherd's Bush.</p>	Currently unoccupied.	£1,500,000

Notes:

1. We have recently valued the property as at 31 May 2015 for the Group at £1,500,000 for asset evaluation purposes.
2. The registered owner of the property is Fairwheel Limited, subsidiary of the Group.

Table A2-4 Group IV — Properties held and operated by the Group in the UK

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 31 May 2015
4. Dorsett Shepherd's Bush — 58 Shepherd's Bush Green, London W12 8QE, UK	<p>The property comprises a hotel with 317 guest rooms, three food and beverage outlets, meeting facilities and a spa.</p> <p>The property has a total gross internal area of 12,726 m².</p> <p>The property is at Shepherd's Bush Green in West London. The general locality is characterised by commercial and residential developments.</p>	The hotel has been occupied and operated by Dorsett since opening.	£72,000,000

Notes:

1. We have recently valued the property as at 31 May 2015 for the Group at £72,000,000 for asset evaluation purposes.
2. The registered owner of the property is Marvel Green Ltd, a subsidiary of the Group.

ADDENDUM 3 — STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

1. This Valuation Report has been prepared for the Group. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.
2. The freehold interest in the various properties has been valued as at 31 May 2015. We note that we have made a special assumption with regards to the proposed Serviced Apartment scheme (Walkabout Pub), whereby we have assumed that planning will be granted for a scheme with similar facilities.
3. We have checked our records, and there are no conflicts of interest with regard to our preparing this Valuation Report.
4. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The properties are valued as though free and clear unless otherwise stated.
5. There are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for these conditions or any engineering that may be required to discover them.
6. We have not considered the existence of potentially hazardous materials used in the construction or maintenance of the buildings, such as asbestos, urea formaldehyde foam insulation or PCBs. We are thus unable to report that the properties are free from risk in this respect and have assumed that any investigation would not reveal the presence of hazardous materials. The valuers are not qualified to detect these substances and urge the client to retain an expert in this field if desired. We have not investigated whether the site is or has been in the past contaminated and are therefore unable to warrant that the properties are free from any defect or risk in this respect. Our report is therefore based on the assumption that the land is not contaminated and any specialist investigation would not disclose the presence of any adverse conditions on the sites or within the buildings.
7. No survey of the properties has been made by the valuers and no responsibility is assumed in connection with such matters. Sketches, pictures, maps and other exhibits are included to assist the reader in visualising the property. It is assumed that the use of the land and premises is within the boundaries of the properties described and that there is no encroachment or trespass unless noted.
8. This Valuation Report is not a structural survey and we therefore value on the assumption that the properties are of sound design and construction, and free from any inherent defects. Aside from our routine enquiries, no detailed inspection or tests have been carried out by us on any of the services or items

of equipment, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose. We express no opinion or advice upon the condition of uninspected parts and our report should not be read as making any implied representation or statement about such parts. We have assumed that the properties are in a good state of repair and condition and that there are no outstanding items of expenditure required.

9. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by HVS is assumed to be true and correct. No liability resulting from misinformation can be assumed by the valuers.
10. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering any of the properties.
11. It is assumed that the properties are in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including an alcohol licence where appropriate) and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser.
12. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless specified otherwise.
13. This report may not be reproduced in whole or in part without the permission of the valuers, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without the prior written consent of the valuers.
14. We are not required to give testimony or attendance in court by reason of this valuation without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
15. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report it is recommended that the reader contact the valuers.
16. The valuers take no responsibility for any events, conditions or circumstances affecting the properties' Market Values that take place subsequent to either the Date of Value contained in this report or the date of our field inspection, whichever occurs first. 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.'*
17. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability and Market Value. The financial forecasts

presented in this valuation assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results and value estimate.

18. The estimated operating results presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the properties, it is expected that the prices of rooms, food, beverages and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity most numbers presented in this report have been rounded to the nearest tenth. Thus, these figures may be subject to small rounding errors in some cases.
20. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations to provide value indications, the final estimate of value is subjective and may be influenced by the valuers' experience and other factors not specifically set forth in this report.
21. The freehold title to any of the properties would be readily marketable without any undue restrictions, covenants or conditions except where otherwise noted.
22. The relationship between pounds sterling and other major world currencies remains constant as of the date of our field work.
23. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.
24. We have specifically excluded the value of any antiques or items of fine art.
25. We have made no allowance for the repayment of any grants, which might arise in the event of development or disposal, deemed or otherwise.
26. The valuation contained within this report has been undertaken in accordance with the standards set out by the Royal Institution of Chartered Surveyors. Compliance with these standards may be subject to monitoring under the institution's conduct and disciplinary regulations. This valuation has been overseen by Charles Human, MRICS. Charles has been a director at HVS since 1994, specialising in the valuation and sale of hotels and all forms of leisure properties.

27. Charles Human and Arlett Oehmichen are registered valuers and HVS is regulated by the RICS. As such, HVS has a complaints handling procedure, the details of which are available by contacting the London office.
28. The fee for this assignment has been set at a fixed rate, as described in our Letter of Engagement.
29. Throughout this report, 'HVS' refers to the trading name of SG&R Valuation Services Company LLC, a United States of America limited liability company formed under the laws of the state of Delaware, the members of which are SR London Corporation and HEI International Inc (both United States of America corporations formed under the laws of the state of Delaware). The operations of SG&R Valuation Services Company in the UK are managed by HEI International Inc.

The following are the text of letters, summaries of values and valuation reports prepared for the purpose of incorporation in this Scheme Document received from independent valuers, in connection with the valuation as at 31 May 2015 of the market values of the property interests of the FEC Group (excluding those held by the Dorsett Group, which are included in Appendix III to this Scheme Document).



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 August 2015

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

Dear Sirs,

Re: Portfolio Valuation

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuations of the properties held by Far East Consortium International Limited (the "Company") and/or its subsidiaries (together referred to as the "Group") in Hong Kong, the People's Republic of China (the "PRC") and Australia. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of these properties as at 31 May 2015 ("the Date of Valuation").

Basis of Valuation

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. In respect of the PRC properties, we have relied on the legal opinion given to us by the Group's legal advisers.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers and Share Buy-backs of Securities and Futures Commission and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Method of Valuation

We have generally valued the properties by market approach by making reference to comparable sales transactions as available in the relevant market or by investment method where we capitalized the net rental or other income derived from the properties under the existing leases or operations.

In respect of the properties in Groups IV, IX and property nos. 13, 14, 15 and 16 in Group V which are held by the Group under or for future development in Hong Kong and the PRC, we have valued the properties on the basis that they will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for their development proposals have been or will be obtained without onerous conditions or delays. In arriving at our valuations, we have made reference to comparable sales evidence as available in the market and applied adjustments to account for differences between the comparables and the properties. We have taken into account the expended construction costs and allowed for the costs that will be expended to complete the proposed developments. The "capital value if completed at the Date of Valuation" represents our opinion of the capital value of the proposed developments assuming that they were completed at the Date of Valuation.

Regarding property no. 16 which is a development right held by the Group in Hong Kong, we have valued it in accordance with the key terms regarding revenue and expenses sharing arrangement as provided in a development agreement (the "Development Agreement") between the Group and the Urban Renewal Authority. The market value in existing state represents the value of the interest attributable to the Group under the Development Agreement having regard to the provisions in the Development Agreement.

According to the information provided by the Group, the potential tax liability of properties located in Hong Kong which would arise on disposal of the properties is profits tax of 16.5% of net profit upon disposal, save for deduction of any profit which is capital in nature. In respect of the properties in Groups I, II, V and property no. 12 in Group IV, which are properties held by the Group for investment, owner-occupation, future development and under development in Hong Kong respectively, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan at present for the disposal of those properties. In respect of the property nos. 8, 9, 10 in Group III and property no. 11 in Group IV, which are held by the Group for sale and under development in Hong Kong respectively, the likelihood of the relevant tax liability being crystallized is high upon disposal. As advised by the Group, the estimated amount of potential tax liability in respect of property nos. 8, 9 and 10 of Group III and property no. 11 of Group IV, which have been sold or being put up for sale in the market as at the Latest Practicable Date, are approximately HK\$2.9 million, HK\$3.7 million, HK\$0.9 million and HK\$1 million respectively.

For the properties which are located in the PRC in Group VI to Group X, we have been advised by the Group that the potential tax liabilities include Land Appreciation Tax (土地增值稅) at progressive tax rates from 30% to 60%, Business Tax (營業稅) at 5% of the sale amount, related surcharge (附加稅) at 11% of Business Tax (營業稅), and Income Tax (所得稅) at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents. In respect of the properties in Groups VI, VII, X and property nos. 27 and 28 in Group IX, which are held by the Group for investment, owner-occupation, future development and under development in the PRC respectively, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan at present for the disposal of those properties. In respect of the property no. 25 in Group VIII and property no. 26 in Group IX, which are held by the Group for sale and under development in the PRC respectively, the likelihood of the relevant tax liability being crystallized is high, as those properties have been put up for sale in the market or will be sold after completion of development. As advised by the Group, the estimated amount of potential tax liability in respect of property no. 25 under Group VIII and property no. 26 under Group IX, as at the Latest Practicable Date, is approximately HK\$112 million and HK\$683 million respectively.

For the Australian properties in Groups XI and XII, when they are disposed of and where goods and services tax ("GST") applies, the gross realisation will be 10% higher than the valuations provided with this additional realisation value assessed as GST for Australian taxation requirements. Income tax may be payable at the current corporate tax rate of 30% on the taxable income of the property owner. As advised by the Group, the likelihood of the relevant tax liability being crystallized for property in Group XI is remote as the Group has no plan to dispose of such properties yet at the current stage. As advised by the Group, the estimated amount of potential tax liability in respect of property under Group XII, which has been put up for sale in the market as at the Latest Practicable Date, is approximately HK\$0.6 million. It is likely that the relevant tax liability will be crystallized for property in Group XII as it is planned to be sold.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings, particulars of occupancy, identification of properties, floor plans and areas, site areas, number of parking spaces, construction costs, construction schedule and all other relevant matters.

Land Tenure

In valuing the properties the Government leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong) under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the date of extension.

In valuing the properties in Groups VI to IX and property nos. 29 and 30 in Group X in the PRC, the market values are based on confirmation, reflected in the legal opinion, that transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted, and owners of those properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

For property no. 31 in Group X in the PRC, we have ascribed no commercial value to the property as the Certificate of Real Estate Ownership had not been obtained by the Group since the relevant government authorities are still in the process of transferring the Certificate of Real Estate Ownership to the Group.

Title Investigation

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

Site Inspection

Our valuers, Ms Amy Ho and Ms Savannah Li of our Hong Kong office, Mr Victor Li of our Guangzhou office, Ms Jenny Liang of our Shanghai office, Mr Christopher Klidas of our Australia office, inspected the exterior and wherever possible the interior of the properties between June and July 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. For those properties which are under or held for future development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for any future development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Currency and Exchange Rate

Unless otherwise stated, the market values are stated in Hong Kong dollars ("HK\$") for properties in Groups I to V, in Renminbi ("RMB") for properties in Groups VI to X and in Australian dollars ("AUD") for properties in Groups XI to XII.

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

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong

Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser

MHKIS

Senior Director, Valuation & Advisory Services

Note: Mr. K.B. Wong is a Registered Professional Surveyor (General Practice) who has over 30 years' experience in valuation of properties in Hong Kong, the PRC and other countries. The valuations of the properties in Groups XI and XII, which are in Australia, were undertaken by Mr K.B. Wong in collaboration with Mr John McGrath of our Australia office. Mr McGrath is a Director in DTZ Australia office. He is an Associate Member of the Australian Property Institute with 25 years' experience in property valuation in Australia.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 May 2015 HK\$
Group I – Properties held by the Group for investment in Hong Kong	
1. Units 1902-3 on 19th Floor, Far East Consortium Building, No. 121 Des Voeux Road Central, Central, Hong Kong	26,000,000
2. Far East Consortium Building, Nos. 204-206 Nathan Road, Tsim Sha Tsui, Kowloon	637,000,000
3. Shop Nos. 1-7, 9-11, 14, 21, 26-33, 38, 39, 44, 49, 52, 56, 58-60, 66-70, 76-80, 86 and 87 on Lower Ground Floor and Shop Nos. 2-5, 7, 20-27, 29-30, 35, 36, 40-42, 48, 49, 52, 54, 55, 62-64, 68 and 73 on Upper Ground Floor of the Commercial Podium of Plot A and Top Podium Exterior Walls of Plot A, Tsuen Wan Garden, Nos. 15-23 Castle Peak Road, Tsuen Wan, New Territories	128,500,000

Property	Market value in existing state as at 31 May 2015 HK\$
4. Car Parking Space Nos. 27, 30, 34, 44, 53, 54, 56, 65, 67, 70, 75, 77, 91, 94, 96 and 97 on Basement 1 and Car Parking Space Nos. 98, 99, 114, 124, 125, 129, 139-140, 144-146, 149-152, 154-157, 159-162 and 164 on Basement 2, Covent Garden, No. 88 Ma Tin Road, Yuen Long, New Territories	9,200,000
5. Basement to 5th Floors of Far East Centre, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories	278,000,000
6. Ground Floor and First Floor, Commercial Accommodation, Star Ruby, No. 1 San Wai Street, Hung Hom, Kowloon	208,000,000
Sub-total of Group I:	1,286,700,000
 Group II – Property held by the Group for owner-occupation in Hong Kong	
7. 16th, 18th, Units 1901, 1904-1906 on 19th, 20th and 24th Floors (including lavatories of respective floors and flat roof on 24th floor), Far East Consortium Building, No. 121 Des Voeux Road Central, Central, Hong Kong	360,000,000
Sub-total of Group II:	360,000,000

Property	Market value in existing state as at 31 May 2015 HK\$
Group III – Properties held by the Group for sale in Hong Kong	
8. Shop on ground Floor and shop on 1st Floor, Bakerview, No. 66 Baker Street, Hung Hom, Kowloon	33,000,000
9. Unit E on 25th Floor, Unit B on 26th Floor, Unit E on 27th Floor, Unit A on 28th Floor and Units A and B on 29th Floor, Star Ruby, No. 1 San Wai Street, Hung Hom, Kowloon	71,000,000
10. Ground Floor with garden appurtenant thereto and 1st Floor with balcony thereto, No. 110 Sheung Yeung, Sai Kung, New Territories	8,900,000
Sub-total of Group III:	112,900,000

Property	Market value in existing state as at 31 May 2015 HK\$
Group IV – Properties held by the Group under development in Hong Kong	
11. Eivissa Crest, Hill Road, Pok Fu Lam, Hong Kong	625,000,000
12. Lot No. 4303 in Demarcation District No. 124, Tan Kwai Tsuen, Yuen Long, New Territories	257,000,000
Sub-total of Group IV:	
	882,000,000
Group V – Properties held by the Group for future development in Hong Kong	
13. Sha Tin Town Lot No. 604, Mei Tin Road, Tai Wai, Sha Tin, New Territories	176,000,000
14. Wan Fung House, Nos. 68-86A Wan Fung Street, Wong Tai Sin, Kowloon	472,000,000
15. Lot No. 1003 in Demarcation District No. 40, junction of Shun Lung Street and Shun Cheong Street, Sha Tau Kok, New Territories	160,000,000
16. Development right in No. 229A-G Hai Tan Street, Sham Shui Po, Kowloon	70,000,000

Property	Market value in existing state as at 31 May 2015 HK\$
17. Section A, Section B, Section C, Section D, Section E, Section F, Section G, Section H, Section J, Section K, Section L and the Remaining Portion of Lot No. 746 in Demarcation District No. 225, Sheung Yeung, Sai Kung, New Territories	5,700,000
18. Tsuen Wan Town Lot No. 389 and the Remaining Portion of Lot No. 445 in Demarcation District No. 360, Chuen Lung, Tsuen Wan, New Territories	69,000,000
19. The Remaining Portion of Lot No. 232 in Demarcation District No. 354, Yau Kam Tau, Tsuen Wan, New Territories	7,700,000
20. The Remaining Portion of Lot No. 1134, the Remaining Portion of Lot No. 1137, Lot No. 1138 and the Remaining Portion of Lot No. 1139 in Demarcation District No. 222, Pak Kong, Sai Kung, New Territories	1,750,000
Sub-total of Group V:	962,150,000

Property	Market value in existing state as at 31 May 2015 RMB
Group VI – Properties held by the Group for investment in the PRC	
21. Jin Qiu Xintiandi, Lane 809, Jinqiu Road, Baoshan District, Shanghai, the PRC	328,000,000
22. 306 Car Parking Spaces, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	40,000,000
Sub-total of Group VI:	
	368,000,000
Group VII – Properties held by the Group for owner-occupation in the PRC	
23. Jinqiu School, Club House and Kindergarten situated at California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	122,000,000
24. The whole level 4 of Xin Shi Dai Mansion, No. 11 Jianshe 3rd Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	12,000,000
Sub-total of Group VII:	
	134,000,000

Property	Market value in existing state as at 31 May 2015 RMB
Group VIII – Property held by the Group for sale in the PRC	
25. The unsold portion of California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	332,000,000
Sub-total of Group VIII: 332,000,000	
Group IX – Properties held by the Group under development in the PRC	
26. Areas 16 and 17B, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	2,210,000,000
27. The proposed development Huadi Jiayuan at No. 10, North of Miaoqian Street, Chajiao, Liwan District, Guangzhou, Guangdong Province, the PRC	1,350,000,000
28. The proposed development Xin Shi Dai Mansion, west of Jianshe 3rd Road, South of Jiansheheng Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	328,000,000
Sub-total of Group IX: 3,888,000,000	

Property	Market value in existing state as at 31 May 2015 RMB
Group X – Properties held by the Group for future development in the PRC	
29. Commercial Center of California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	26,000,000
30. The proposed development Gantangyuan at Huadi, Fangcun, Liwan District, Guangzhou, Guangdong Province, the PRC	581,000,000
31. Areas 12 to 15 and 18, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	No commercial value
Sub-total of Group X:	607,000,000

Market value in
existing state as at
31 May 2015
AUD

Group XI – Property held by the Group for investment in Australia

32.	2-92 Rebecca Walk, Northbank Place, Melbourne Victoria 3000, Australia	1,550,000
		<hr/>
	Sub-total of Group XI:	1,550,000

Group XII – Property held by the Group for sale in Australia

33.	11 Gem Place and 5 Norval Place, Northbank Place, Melbourne Victoria 3000, Australia	750,000
		<hr/>
	Sub-total of Group XII:	750,000

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015									
1.	<p>Units 1902-3 on 19th Floor, Far East Consortium Building, No. 121 Des Voeux Road Central, Hong Kong</p> <p>Situated within Inland Lot Nos. 2198, 2200, 2201, Section A and the Remaining Portion of Inland Lot No. 2199 and Sections A, B and C of Marine Lot No. 299</p>	<p>The property comprises 2 units on 19th floor of a 25-storey commercial building completed in 1976.</p> <p>The property has a total gross floor area of approximately 165.65 sq.m. (1,783 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The property is held under various Government Leases for the following terms:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Lot No(s).</th> <th style="text-align: center;">Lease Term</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Inland Lot No. 2198</td> <td style="text-align: center;">999 years from 20 November 1903</td> </tr> <tr> <td style="text-align: center;">Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201</td> <td style="text-align: center;">999 years from 18 November 1903</td> </tr> <tr> <td style="text-align: center;">Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C</td> <td style="text-align: center;">999 years from 24 July 1903</td> </tr> </tbody> </table> <p>The current aggregate Government rent payable for the lots (I.L. Nos. 2198, 2199, 2200, 2201 and M.L. No. 299) is HK\$244 per annum.</p>	Lot No(s).	Lease Term	Inland Lot No. 2198	999 years from 20 November 1903	Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201	999 years from 18 November 1903	Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C	999 years from 24 July 1903	<p>At the Date of Valuation, the property was let for a term of 2 years from 1 October 2014 to 30 September 2016 at a monthly rent of about HK\$39,000.</p>	<p>HK\$26,000,000</p>
Lot No(s).	Lease Term											
Inland Lot No. 2198	999 years from 20 November 1903											
Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201	999 years from 18 November 1903											
Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C	999 years from 24 July 1903											

Notes:

- (1) The registered owner of the property is Annick Investment Limited, a wholly owned subsidiary of the Group.
- (2) The whole of 19th floor is subject to a mortgage to secure all moneys in respect of general banking facilities and an assignment of rentals both in favour of DBS Bank (Hong Kong) Limited.
- (3) The property is zoned for "Commercial" use under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/29 dated 10 September 2013.

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
2. Far East Consortium Building, Nos. 204-206 Nathan Road, Tsim Sha Tsui, Kowloon The Remaining Portion of Kowloon Inland Lot No. 10467 and the Remaining Portion of Kowloon Inland Lot No. 10468	<p>The property comprises a 14-storey plus mezzanine floor commercial building completed in 1987. The basement, ground and mezzanine floors are used as retailing shops and the upper floors are used as office units.</p> <p>The property has a total gross floor area of approximately 3,548.60 sq.m. (38,197 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under Conditions of Regrant Nos. 10955 and 10956 for terms of 150 years from 8 October 1901. The current aggregate Government rent payable for the lots (K.I.L. 10467 and 10468) is HK\$2,000 per annum.</p>	<p>At the Date of Valuation, except an area of about 520 sq.ft. which was vacant, the property was let to various tenants for various terms with the latest tenancy due to expire in April 2018 at a total monthly rent of about HK\$1,700,000, mostly inclusive of rates, management fees and Government rent.</p>	<p>HK\$637,000,000</p>

Notes:

- (1) The registered owner of the property is N.T. Horizon Realty (Jordan) Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Mortgage in favour of Hang Seng Bank Limited.
- (3) The property is subject to a Second Mortgage to secure general banking facilities for all moneys in favour of Hang Seng Bank Limited.
- (4) The property is zoned for “Commercial” use under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 3 December 2013.

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015	
3.	<p>Shop Nos. 1-7, 9-11, 14, 21, 26-33, 38, 39, 44, 49, 52, 56, 58-60, 66-70, 76-80, 86 and 87 on Lower Ground Floor and Shop Nos. 2-5, 7, 20-27, 29-30, 35, 36, 40-42, 48, 49, 52, 54, 55, 62-64, 68 and 73 on Upper Ground Floor of the Commercial Podium of Plot A and Top Podium Exterior Walls of Plot A, Tsuen Wan Garden, Nos. 15-23 Castle Peak Road, Tsuen Wan, New Territories</p> <p>Situated within Tsuen Wan Town Lot No. 241</p>	<p>The property comprises various shop units on the lower and upper ground floors of a 5-storey commercial/parking podium and the exterior walls of a development completed in 1980.</p> <p>The property has a total gross floor area of approximately 3,822.19 sq.m. (41,142 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under New Grant No. 5525 for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>At the Date of Valuation, except an area of about 5,278 sq.ft. which was vacant, the remainder of the property was partly owner occupied and partly let to various tenants with the latest tenancy due to expire in November 2016 at a total monthly rent of about HK\$263,000, mostly inclusive of rates, management fees and Government rent.</p>	<p>HK\$128,500,000</p>

Notes:

- (1) The registered owner of Shop Nos. 2-5, 7, 11, 14, 31-33, 38, 39, 44, 58-60, 66-70, 76-80, 86 and 87 on Lower Ground Floor and Shop Nos. 22, 25-27, 29, 30, 35, 36, 40-42, 54, 55, 63, 64, 68 and 73 on Upper Ground Floor of the property is Far East Consortium Limited, a wholly owned subsidiary of the Group. The registered owner of Shop Nos. 1, 6, 9, 10, 21, 26-30, 49, 52 and 56 on Lower Ground Floor and Shop Nos. 2-5, 7, 20, 21, 23, 24, 48, 49, 52, 62 on Upper Ground Floor and Top Podium exterior walls of Plot A of the property is Arvel Company Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Mortgage to secure general banking facilities and a Rent Assignment both in favour of The Hongkong and Shanghai Banking Corporation Limited (Re: the whole of the property except Top Podium exterior walls of Plot A).
- (3) The property is zoned for "Residential (Group A)" use under Tsuen Wan Outline Zoning Plan No. S/TW/31 dated 17 January 2014.

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
4. Car Parking Space Nos. 27, 30, 34, 44, 53, 54, 56, 65, 67, 70, 75, 77, 91, 94, 96 and 97 on Basement 1 and Car Parking Space Nos. 98, 99, 114, 124, 125, 129, 139-140, 144-146, 149-152, 154-157, 159-162 and 164 on Basement 2, Covent Garden, No. 88 Ma Tin Road, Yuen Long, New Territories Situated within Yuen Long Town Lot No. 419	The property comprises 40 car parking spaces on Basements 1 and 2 within a residential development completed in 1998. The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages. The property is held under New Grant No. 4163 from 29 November 1993 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	At the Date of Valuation, except 9 car parking spaces which were vacant, the remainder of the car parking spaces were leased for various terms with the latest lease due to expire in April 2016 at a total monthly rent of about HK\$26,000.	HK\$9,200,000

Notes:

- (1) The registered owner of Car Parking Space Nos. 27, 53, 54, 56, 91, 94, 96 and 97 on Basement 1 and Car Parking Space Nos. 98, 99, 114, 124, 125, 129, 139, 157, 159-162 and 164 on Basement 2 of the property is Action Fulfilled Asset Limited, a wholly owned subsidiary of the Group and the registered owner of Car parking Space Nos. 30, 34, 44, 65, 67, 70, 75 and 77 on Basement 1 and Car Parking Space Nos. 140, 144-146, 149-152 and 154-156 on Basement 2 of the property is Far East Supermarket Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for “Residential (Group B)” use under Yuen Long Outline Zoning Plan No. S/YL/21 dated 6 December 2011.

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
5. Basement to 5th Floors of Far East Centre, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories Situated within Lot No. 2158 in Demarcation District No. 449	<p>The property comprises the whole of basement to 5th floors (including the mezzanine floor) of a 17-storey building completed in 1966.</p> <p>The total gross floor area of commercial portion of the property is approximately 3,469.44 sq.m. (37,345 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under New Grant No. TW3915 for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>At the Date of Valuation, the property was leased to various tenants with the latest tenancy due to expire in June 2018 at a monthly rent of HK\$861,000.</p>	HK\$278,000,000

Notes:

- (1) The registered owner of the property is Far East Consortium Limited, a wholly owned subsidiary of the Group.
- (2) The Mezzanine, basement, 1st, 2nd, 3rd and 5th Floors of the property are subject to a Mortgage to secure general banking facilities and a rental assignment both in favour of Nanyang Commercial Bank Limited.
- (3) The Ground Floor of the property is subject to another Mortgage and rental assignment both in favour of Nanyang Commercial Bank Limited.
- (4) The property is subject to a Modification Letter dated 27 September 2007 vide Memorial No. 07100301840038.
- (5) The property is zoned for "Residential (Group A) 13" use under Tsuen Wan Outline Zoning Plan No. S/TW/31 dated 7 January 2014.

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
6. Ground Floor and First Floor, Commercial Accommodation, Star Ruby, No. 1 San Wai Street, Hung Hom, Kowloon	The property comprises the commercial accommodation on the ground and 1st floors of a 22-storey residential tower erected upon a 4-storey commercial/recreational podium completed in 2014.	At the Date of Valuation, the property was vacant.	HK\$208,000,000
Situating within Kowloon Inland Lot Nos. 7488, 7489 (formerly known as Sub-section 2 of Section T of Kowloon Inland Lot No. 4321), 7490 (formerly known as the Remaining Portion of Section T of Kowloon Inland Lot No. 4321), 7491, 7492, 7493 and 7494	The property has a total gross floor area of approximately 1,229.75 sq.m. (13,237 sq.ft.). The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages. The property is held under various Government leases each for a term of 75 years from 29 September 1941 renewable for 75 years. The total current Government rent payable for the lots (K.I.L. 7488, 7491, 7492, 7493, 7494 and Section T of K.I.L. 4321) is HK\$146.35 per annum.		

Notes:

- (1) The registered owner of the property is Tantix Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for “Residential (Group A)” use under Hung Hom Outline Zoning Plan No. S/K9/24 dated 5 October 2010.

VALUATION CERTIFICATE

Group II – Property held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015								
7.	<p>16th, 18th, Units 1901, 1904-1906 on 19th, 20th and 24th Floors (including lavatories of respective floors and flat roof on 24th floor), Far East Consortium Building, No. 121 Des Voeux Road Central, Central, Hong Kong</p> <p>Situated within Inland Lot Nos. 2198, 2200, 2201, Section A and the Remaining Portion of Inland Lot No. 2199 and Sections A, B and C of Marine Lot No. 299</p>	<p>The property comprises various units on 16th, 18th, 19th, 20th and 24th floors of a 25-storey commercial building completed in 1976.</p> <p>The property has a total gross floor area of approximately 2,308.16 sq.m. (24,845 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The locality of the property is served by public transport services and characterised by commercial developments of various ages.</p> <p>The property is held under various Government Leases for the following terms:-</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Lot No(s).</th> <th style="text-align: left;">Lease Term</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Inland Lot No. 2198</td> <td style="text-align: left;">999 years from 20 November 1903</td> </tr> <tr> <td style="text-align: left;">Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201</td> <td style="text-align: left;">999 years from 18 November 1903</td> </tr> <tr> <td style="text-align: left;">Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C</td> <td style="text-align: left;">999 years from 24 July 1903</td> </tr> </tbody> </table> <p>The current aggregate Government rent payable for the lots (I.L. Nos. 2198, 2199, 2200, 2201 and M.L. No. 299) is HK\$244 per annum.</p>	Lot No(s).	Lease Term	Inland Lot No. 2198	999 years from 20 November 1903	Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201	999 years from 18 November 1903	Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C	999 years from 24 July 1903	<p>At the Date of Valuation, the property was occupied by the Group.</p> <p style="text-align: right;">HK\$360,000,000</p>
Lot No(s).	Lease Term										
Inland Lot No. 2198	999 years from 20 November 1903										
Inland Lot Nos. 2199 s.A, 2199 R.P., 2200 and 2201	999 years from 18 November 1903										
Marine Lot Nos. 299 s.A, 299 s.B and 299 s.C	999 years from 24 July 1903										

Notes:

- (1) The registered owner of the property is Annick Investment Limited, a wholly owned subsidiary of the Group.
- (2) The whole of 18th, 19th and 20th floors are subject to a mortgage to secure all moneys in respect of general banking facilities and an assignment of rentals both in favour of DBS Bank (Hong Kong) Limited.
- (3) The whole of 16th and 24th floors are subject to a mortgage to secure all sums of money including general banking facilities in favour of Industrial and Commercial Bank of China (Asia) Limited.
- (4) The 24th floor of the property is subject to a Notice No. WNZ/U02-27/0001/09 by the Building Authority under S.24C(1) of the Buildings Ordinance dated 13 November 2010. In the course of our valuation, we have not taken into account any remedial work for compliance with the said notice.
- (5) The property is zoned for "Commercial" use under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/29 dated 10 September 2013.

VALUATION CERTIFICATE

Group III – Properties held by the Group for sale in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
8. Shop on ground Floor and shop on 1st Floor, Bakerview, No. 66 Baker Street, Hung Hom, Kowloon	The property comprises the whole of ground and 1st floors of a 33-storey composite building completed in 2002.	At the Date of Valuation, the property was subject to a tenancy for a term of 10 months from 1 August 2014 to 31 May 2015 at a monthly rent of HK\$80,000, inclusive of rates and management fees.	HK\$33,000,000
Situating within the Remaining Portion of Section B, Section C, Section D, Section E, the Remaining Portion of Sub-section 1 of Section I, the Remaining Portion of Sub-section 2 of Section I and the Remaining Portion of Sub-section 3 of Section I of Hung Hom Inland Lot No. 235	The property has a gross floor area of approximately 577.67 sq.m. (6,218 sq.ft.). The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages. The property is held under Government Lease for a term of 75 years renewable for 75 years from 1 January 1901. The Government rent payable for the lots is HK\$3,486 per annum.		

Notes:

- (1) The registered owner of the property is Charter National International Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for "Residential (Group A) 4" use under Hung Hom Outline Zoning Plan No. S/K9/24 dated 5 October 2010.

VALUATION CERTIFICATE

Group III – Properties held by the Group for sale in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
9. Unit E on 25th Floor, Unit B on 26th Floor, Unit E on 27th Floor, Unit A on 28th Floor and Units A and B on 29th Floor, Star Ruby, No. 1 San Wai Street, Hung Hom, Kowloon Situated within Kowloon Inland Lot Nos. 7488, 7489 (formerly known as Sub-section 2 of Section T of Kowloon Inland Lot No. 4321), 7490 (formerly known as the Remaining Portion of Section T of Kowloon Inland Lot No. 4321), 7491, 7492, 7493 and 7494	<p>The property comprises 6 units on the 25th to 29th floors of a 22-storey residential tower erected upon a 4-storey commercial/recreational podium completed in 2014.</p> <p>The property has a total saleable area of approximately 293.20 sq.m. (3,156 sq.ft.). Flat roof and roof area are totally about 168.71 sq.m. (1,816 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under various Government leases each for a term of 75 years from 29 September 1941 renewable for 75 years. The total current Government rent payable for the lots (K.I.L. 7488, 7491, 7492, 7493, 7494 and Section T of K.I.L. 4321) is HK\$146.35 per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$71,000,000

Notes:

- (1) The registered owner of the property is Tantix Limited, a wholly owned subsidiary of the Group.
- (2) Unit B on 26th floor is subject to an agreement for sale and purchase and an assignment dated 13 April 2015 and 15 July 2015 respectively and the consideration is HK\$6,745,700.
- (3) Unit A on 28th floor is subject to an agreement for sale and purchase and an assignment dated 17 April 2015 and 16 July 2015 respectively and the consideration is HK\$14,920,300.
- (4) The property is zoned for "Residential (Group A)" use under Hung Hom Outline Zoning Plan No. S/K9/24 dated 5 May 2010.

VALUATION CERTIFICATE

Group III – Properties held by the Group for sale in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015																															
10.	<p>Ground Floor with garden appurtenant thereto and 1st Floor with balcony thereto, No. 110 Sheung Yeung, Sai Kung, New Territories</p> <p>Situated within Section C of Lot No. 89 in Demarcation District No. 225</p>	<p>The property comprises ground floor and 1st floor of a 3-storey house situated in an area known as Sheung Yeung in Sai Kung District completed in 2004.</p> <p>The saleable area of the property are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 20%; text-align: center;">DD 225 Lot 89 sC</td> <td style="width: 10%; text-align: center;"><i>sq.m.</i></td> <td style="width: 10%; text-align: center;"><i>sq.ft.</i></td> <td style="width: 30%;"></td> </tr> <tr> <td style="text-align: center;">G/F</td> <td style="text-align: center;">60.19</td> <td></td> <td style="text-align: center;">648</td> <td></td> </tr> <tr> <td style="text-align: center;">1/F</td> <td style="text-align: center;">56.66</td> <td></td> <td style="text-align: center;">610</td> <td></td> </tr> </table> <p>In addition, the property has the following ancillary areas:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 20%; text-align: center;">DD 225 Lot 89 sC</td> <td style="width: 10%; text-align: center;"><i>sq.m.</i></td> <td style="width: 10%; text-align: center;"><i>sq.ft.</i></td> <td style="width: 30%;"></td> </tr> <tr> <td style="text-align: center;">Garden on G/F</td> <td style="text-align: center;">25.26</td> <td></td> <td style="text-align: center;">272</td> <td></td> </tr> <tr> <td style="text-align: center;">Balcony on 1/F</td> <td style="text-align: center;">7.44</td> <td></td> <td style="text-align: center;">80</td> <td></td> </tr> </table> <p>The property is located near Sheung Yeung and characterised by agricultural land and village type houses.</p> <p>The property is held under Government Lease for a term of 75 years renewed for a further term of 24 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		DD 225 Lot 89 sC	<i>sq.m.</i>	<i>sq.ft.</i>		G/F	60.19		648		1/F	56.66		610			DD 225 Lot 89 sC	<i>sq.m.</i>	<i>sq.ft.</i>		Garden on G/F	25.26		272		Balcony on 1/F	7.44		80		At the Date of Valuation, the property was vacant.	HK\$8,900,000
	DD 225 Lot 89 sC	<i>sq.m.</i>	<i>sq.ft.</i>																															
G/F	60.19		648																															
1/F	56.66		610																															
	DD 225 Lot 89 sC	<i>sq.m.</i>	<i>sq.ft.</i>																															
Garden on G/F	25.26		272																															
Balcony on 1/F	7.44		80																															

Notes:

- (1) The registered owner of the property are as follows:

DD	Lot	Floor	Owner
225	89 sC	Ground	Multi Yield (IHK) Ltd, a wholly owned subsidiary of the Group
225	89 sC	1st	Best Hoover Limited, a wholly owned subsidiary of the Group

- (2) The property is zoned for “Village Type Development” use under Clear Water Bay Peninsula North Outline Zoning Plan No. S/SK-CWBN/6 dated 3 December 2013.

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
11. Eivissa Crest, Hill Road, Pok Fu Lam, Hong Kong The Remaining Portion of Section A of Inland Lot No. 1095 and Section E of Inland Lot No. 1095	<p>The property comprises a site with a registered site area of about 535.35 sq.m. (5,763 sq.ft.) which is under development into a residential building.</p> <p>Upon completion, the property will comprise a 33-storey residential block. The development is scheduled to be completed in December 2015.</p> <p>The gross floor area of the proposed development is approximately 4,196.306 sq.m. (45,169 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under Government Lease for a term of 999 years from 20 December 1887. The Government rent payable for the lots (I.L. 1095 s.A and s.E) is HK\$34 per annum.</p>	At the Date of Valuation, construction work was in progress.	HK\$625,000,000

Notes:

- (1) The registered owner of the property is Bravo Trade Holdings Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Debenture incorporating Building Mortgage and Floating Charges, Assignment of Rentals and Assignment of Sale Proceeds all in favour of Nanyang Commercial Bank Limited.
- (3) The capital value of the property if completed as at 31 May 2015 is approximately HK\$768,000,000.
- (4) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$177,000,000 and the construction cost incurred is about HK\$129,000,000. In the course of our valuation, we have taken into account such costs.
- (5) The property is zoned for “Residential (Group A)” use under Kennedy Town and Mount Davis Outline Zoning Plan No. S/H1/19 dated 30 June 2011.

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
12. Lot No. 4303 in Demarcation District No. 124, Tan Kwai Tsuen, Yuen Long, New Territories	<p>The property comprises a piece of land with a registered site area of about 4,494.90 sq.m. (48,383 sq.ft.), upon which twenty-four 3-storey semi-detached houses with carports on lower ground floor is being developed. The development is scheduled to be completed in November 2015.</p> <p>According to the information provided to us, upon completion, the property will comprise a gross floor area of approximately 4,480.87 sq.m. (48,232 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of residential developments and village type houses of various ages.</p> <p>The property is held under New Grant No. 21868 for a term of 50 years from 30 July 2014. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	At the Date of Valuation, construction work was in progress.	HK\$257,000,000

Notes:

- (1) The registered owner of the property is Garden Resort Development Limited, a wholly owned subsidiary of the Group.
- (2) The capital value of the property if completed as at 31 May 2015 is approximately HK\$467,000,000.
- (3) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$222,000,000 and the construction cost incurred is about HK\$63,000,000. In the course of our valuation, we have taken into account such costs.
- (4) The property is zoned for “Residential (Group B) 1” use under Tong Yan San Tsuen Outline Zoning Plan No. S/YL-TYST/10 dated 7 February 2006.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
13. Sha Tin Town Lot No. 604, Mei Tin Road, Tai Wai, Sha Tin, New Territories	<p>The property comprises a piece of land with a registered site area of about 687 sq.m. (7,395 sq.ft.) upon which a 23-storey (including basement) composite building is planned to be developed. Basement to 3rd floors will be devoted to car parking, commercial and recreation facilities use. Upper floors will be devoted to residential uses. The development is scheduled to be completed in February 2018.</p> <p>According to the information provided to us, upon completion, the property will comprise a gross floor area of approximately 4,408.44 sq.m. (47,452 sq.ft.).</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under New Grant No. 21799 for a term of 50 years from 8 May 2014. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$176,000,000

Notes:

- (1) The registered owner of the property is Polyland Development Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Building Mortgage in favour of Australia and New Zealand Banking Group Limited, Hong Kong Branch for all moneys.
- (3) The capital value of the property if completed as at 31 May 2015 is approximately HK\$470,000,000.

- (4) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$186,000,000 and the construction cost incurred is about HK\$4,000,000. In the course of our valuation, we have taken into account such costs.
- (5) The property is zoned for "Residential (Group A)" use under Sha Tin Outline Zoning Plan No. S/ST/31 dated 17 April 2015.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
14. Wan Fung House, Nos. 68-86A Wan Fung Street, Wong Tai Sin, Kowloon Kowloon Inland Lot No. 5035	<p>The property comprises a piece of land with a registered site area of about 1,000.60 sq.m. (10,770 sq.ft.). Currently standing on the lot are 5 blocks of 6-storey tenement blocks completed in 1970.</p> <p>According to the information provided to us, the property is proposed to be developed into a 29-storey residential/commercial; block with shops on lower ground and ground floors. Upon completion, the property will comprise a total gross floor area of approximately 8,411.75 sq.m. (90,544 sq.ft.). The development is scheduled to be completed in July 2018.</p> <p>The locality of the property is served by public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Grant No. 8924 for a term of 99 years from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$472,000,000

Notes:

- (1) The registered owner of the property is All Greatness Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a building mortgage and assignment of revenue proceeds both for term loan facilities in favour of Public Bank (Hong Kong) Limited.
- (3) The property is subject to a debenture incorporating a first floating charge of term loan facilities in favour of Public Bank (Hong Kong) Limited (deed pending registration).
- (4) The capital value of the property if completed as at 31 May 2015 is approximately HK\$944,000,000.

- (5) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$282,000,000 and the construction cost incurred is about HK\$19,000,000. In the course of our valuation, we have taken into account such costs.
- (6) The property is zoned for “Residential (Group A) 2” use under Tze Wan Shan, Diamond Hill and San Po Kong Outline Zoning Plan No. S/K11/27 dated 31 March 2015.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
15. Lot No. 1003 in Demarcation District No. 40, junction of Shun Lung Street and Shun Cheong Street, Sha Tau Kok, New Territories	<p>The property comprises a piece of land with a registered site area of about 3,344 sq.m. (35,995 sq.ft.) upon which four 6-storey residential/commercial towers are planned to be developed. The development is scheduled to be completed in April 2017.</p> <p>According to the information provided to us, upon completion, the property will comprise a gross floor area of approximately 12,006.60 sq.m. (129,239 sq.ft.).</p> <p>The property is located in the Frontier Closed Area. It is served by public transport services and characterised by a mixture of village type houses, low-rise residential blocks and rural public housing estates of various ages.</p> <p>The property is held from the Government under New Grant No. 21687 for a term of 50 years from 12 November 2013. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$160,000,000

Notes:

- (1) The registered owner of the property is Jarton Limited, a wholly owned subsidiary of the Group.
- (2) The property is subject to a Debenture Incorporating Building Mortgage and Floating Charges, an Assignment of Rental and an Assignment of Sales Proceeds all in favour Nanyang Commercial Bank Limited.
- (3) The capital value of the property if completed as at 31 May 2015 is approximately HK\$740,000,000.
- (4) According to the information provided to us, the total estimated construction cost for development of the property is about HK\$434,000,000 and the construction cost incurred is about HK\$12,000,000. In the course of our valuation, we have taken into account such costs.
- (5) The property is not covered by any published outline zoning plan.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
16. Development right in No. 229A-G Hai Tan Street, Sham Shui Po, Kowloon New Kowloon Inland Lot No. 6539	<p>The property comprises the development right in respect of the site with a registered site area of about 431.40 sq.m. (4,644 sq.ft.) upon which a 26-storey residential/commercial building is planned to be developed. The development is scheduled to be completed in August 2018.</p> <p>According to the information provided by the Group, upon completion, the development will comprise a total gross floor area of approximately 3,639.37 sq.m. (39,174 sq.ft.).</p> <p>The locality of the development is served public transport services and characterised by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under Conditions of Grant No. 20241 for a term of 50 years from 27 February 2015. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$70,000,000

Notes:

- (1) The registered owner of the property is Urban Renewal Authority and the development right in respect of it was granted to Cheong Sing Property Development Limited, a wholly owned subsidiary of the Group, by way of a development agreement (the "Development Agreement") dated 23 January 2015.
- (2) Our opinion of the capital value of the property if completed as at 31 May 2015 is approximately HK\$302,000,000.
- (3) According to the information provided by the Group, the total estimated construction cost for development of the property is about HK\$159,000,000 and no construction cost incurred yet. In the course of our valuation, we have taken into account such costs.
- (4) The property is zoned for "Residential (Group A) 6" use under Cheung Sha Wan Outline Zoning Plan No. S/K5/35 dated 17 December 2013.
- (5) In undertaking our valuation, we have taken into account the key terms regarding the revenue and expenses arrangement as provided in the Development Agreement.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
17. Section A, Section B, Section C, Section D, Section E, Section F, Section G, Section H, Section J, Section K, Section L and the Remaining Portion of Lot No. 746 in Demarcation District No. 225, Sheung Yeung, Sai Kung, New Territories	<p>The property comprises 12 agricultural lots situated in an area known as Sheung Yeung in Sai Kung District.</p> <p>The property has a registered site area of approximately 1,861.58 sq.m. (20,038 sq.ft.).</p> <p>The property is located near Sheung Yeung and characterised by agricultural land and village type houses.</p> <p>The property is held under New Grant No. 2838 for a term of 75 years renewed for a further term of 24 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$5,700,000

Notes:

- (1) The registered owners and the zoning under Clear Water Bay Peninsula North Outline Zoning Plan No. S/SK-CWBN/6 of the property are as follows:

DD	Lot	Owner	Zoning
*225	746 sA	Shing Ming Kee, independent third party	Village Type Houses
225	746 sB	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area
225	746 sC	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area
225	746 sD	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area
*225	746 sE	Wong San Pui, independent third party	Village Type Houses
*225	746 sF	Shing Wai Yip, independent third party	Village Type Houses
225	746 sG	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area
225	746 sH	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area

DD	Lot	Owner	Zoning
*225	746 sJ	Shing Shek Ying, independent third party	Village Type Houses
*225	746 sK	Sing Chi Hung, independent third party	Village Type Houses
225	746 sL	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area
225	746 RP	Chun Wah Holdings Limited, a wholly owned subsidiary of the Group	Conservative Area

* The lots, DD225 Lot 746 sA, sE, sF, sJ and sK, are subject to a total of five Deeds of Trusts dated 30 December 1994, 19 January 1995, 30 November 1995, 19 January 1995 and 30 November 1994 respectively, which are executed by the respective owners of the lots and Chun Wah Holdings Limited, subsidiary of the Group ("Chun Wah"). In each of those Deeds, it was declared that Chun Wah is the beneficial owner of the respective lots and the respective owners holds the lots in trust for Chun Wah.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015															
18. Tsuen Wan Town Lot No. 389 and the Remaining Portion of Lot No. 445 in Demarcation District No. 360, Chuen Lung, Tsuen Wan, New Territories	<p>The property comprises an agricultural lot and a recreational lot situated in an area known as Chuen Lung in Tsuen Wan District.</p> <p>The site area of the lots are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><i>sq.m.</i></th> <th style="text-align: center;"><i>sq.ft.</i></th> </tr> </thead> <tbody> <tr> <td>DD 360</td> <td style="text-align: center;">65.96</td> <td style="text-align: center;">710</td> </tr> <tr> <td>Lot 445 RP</td> <td></td> <td></td> </tr> <tr> <td>TWTL 389</td> <td style="text-align: center;"><u>13,500</u></td> <td style="text-align: center;"><u>145,314</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: center;">13,565.96</td> <td style="text-align: center;">146,024</td> </tr> </tbody> </table> <p>Currently built on TWTL 389 is golf driving range and a simple 3-storey golf club building with gross floor area of approximately 1,991.08 sq.m. (21,432 sq.ft.) which was completed in 2009.</p> <p>The property is located near Chuen Lung and is characterised by agricultural lands and village type houses.</p> <p>DD 360 Lot 445 RP was held under a Government Lease for terms of 75 years renewed for further terms of 24 years less the last three days from 1 July 1898. The terms have been statutorily extended to 30 June 2047. TWTL 389 is held under New Grant No. 7217 for a term of 50 years from 23 May 2003.</p> <p>The current Government rent payable for all the lots is an amount equal to 3% of the rateable value for the time being of the lots per annum.</p>		<i>sq.m.</i>	<i>sq.ft.</i>	DD 360	65.96	710	Lot 445 RP			TWTL 389	<u>13,500</u>	<u>145,314</u>	Total:	13,565.96	146,024	At the Date of Valuation, the property was vacant.	HK\$69,000,000
	<i>sq.m.</i>	<i>sq.ft.</i>																
DD 360	65.96	710																
Lot 445 RP																		
TWTL 389	<u>13,500</u>	<u>145,314</u>																
Total:	13,565.96	146,024																

Notes:

- (1) The registered owners of DD 360 Lot 445 RP is Cathay Motion Picture Studios Limited, a wholly owned subsidiary of the Group and the registered owners of Tsuen Wan Town Lot 389 are Deacon T.K. Chiu, deceased, Tat Fung Enterprises Company Limited and Cathay Motion Picture Studios Limited (Tenants in Common).
- (2) The property is zoned for "Unspecified Use" use under Chuen Lung and Ha Fa Shan Development Permission Area Plan No. DPA/TW-CLHFS/2 dated 23 September 2014.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
19. The Remaining Portion of Lot No. 232 in Demarcation District No. 354, Yau Kam Tau, Tsuen Wan, New Territories	<p>The property comprises an agricultural lot situated in an area known as Yau Kam Tau in Tsuen Wan District.</p> <p>The property has a registered site area of approximately 5,940.26 sq.m. (63,941 sq.ft.).</p> <p>The property is located near Yau Kam Tau and is characterised by agricultural land, village type house and residential developments.</p> <p>The property is held under New Grant No. 2723 for a term of 75 years renewed for a further term of 24 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$7,700,000

Notes:

- (1) The registered owner of the property is Scarborough Development Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for “Green Belt” use under Tsuen Wan Outline Zoning Plan No. S/TW/31 dated 7 January 2014.

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
20. The Remaining Portion of Lot No. 1134, the Remaining Portion of Lot No. 1137, Lot No. 1138 and the Remaining Portion of Lot No. 1139 in Demarcation District No. 222, Pak Kong, Sai Kung, New Territories	<p>The property comprises four pieces of agricultural lots situated in an area known as Pak Kong in Sai Kung District.</p> <p>The property has a registered site area of approximately 3,524.43 sq.m. (37,937 sq.ft.).</p> <p>The property is located in Pak Kong and characterised by agricultural land and village type houses.</p> <p>The property is held under a Government Lease for a term of 75 years renewed for a further term of 24 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	At the Date of Valuation, the property was vacant.	HK\$1,750,000

Notes:

- (1) The registered owner of the property is Bournemouth Estates Limited, a wholly owned subsidiary of the Group.
- (2) The property is zoned for "Conservation Area" use under Pak Kong and Shek Kong Outline Zoning Plan No. S/SK-PK/11 dated 17 October 2006.

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
21. Jin Qiu Xintiandi, Lane 809, Jinqiu Road, Baoshan District, Shanghai, the PRC (錦秋新天地)	<p>The property comprises 133 retail units with a total gross floor area of approximately 23,446.10 sq.m. (252,374 sq.ft.) which was completed in 2006.</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted under two Certificate of Real Estate Ownership for two terms of 70 years from 3 June 1998 to 2 June 2068 and 17 June 1997 to 16 June 2067 respectively for residential use.</p>	<p>At the Date of Valuation, portions of the property with a total gross floor area of 21,707.50 sq.m. were leased to various tenants with the tenancy due to expire on 30 June 2026 at a total monthly rent of approximately RMB1,069,000.</p>	<p>RMB328,000,000</p> <p>(98.2% interest attributable to the Group: RMB322,096,000)</p>

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006) 032123 issued by Shanghai Housing and Land Resources Administration Bureau on 8 August 2006, the land use rights and building ownership of Nos. 1-119 and 121 Lane 809, Jinqiu Road and Nos. 729-735, 741-769, 787-803, 815-831, 837-865 and 869-875 Jinqiu Road, comprising a total site area of 74,599 sq.m. and a total gross floor area of 28,259.47 sq.m., have been vested in Shanghai Ching Chu Property Development Co., Ltd., subsidiary of the Group, for a term from 3 June 1998 to 2 June 2068 for residential use.

According to Shanghai Certificate of Real Estate Ownership No. (2006) 033439 issued by Shanghai Housing and Land Resources Administration Bureau on 6 September 2006, the land use rights and building ownership of Nos. 51-57 and 123-139 Lane 809 Jinqiu Road and Nos. 717-725 Jinqiu Road, comprising a total site area of 112,396 sq.m. and a total gross floor area of 1,717.91 sq.m., have been vested in Shanghai Ching Chu Property Development Co., Ltd. for a term from 17 June 1997 to 16 June 2067 for residential use.

- (2) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 for a valid operation period from 24 April 1997 to 23 April 2067.
- (3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
- (i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and

- (ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (4) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Certificate of Real Estate Ownership	Yes (Land only)
Business Licence	Yes

VALUATION CERTIFICATE

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
22. 306 Car Parking Spaces, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC (錦秋加州花園車位)	<p>The property comprises 306 car parking spaces of Phase 8B of the development California Garden completed in 2008.</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted under three certificates of real estate ownership for three terms of 70 years from 2 July 2002 to 1 July 2072, from 9 April 2004 to 8 April 2074 and from 3 June 1998 to 2 June 2068 respectively for residential use.</p>	At the Date of Valuation, the property was licensed on hourly and monthly basis.	RMB40,000,000 (98.2% interest attributable to the Group: RMB39,280,000)
<i>Notes:</i>			
(1) According to 3 Certificates of Real Estate Ownership Nos. (2015)035372, (2015)035373 and (2015)035375 issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights and the building ownership of the property have been vested in Shanghai Ching Chu Property Development Co., Ltd., subsidiary of the Group, for terms from 2 July 2002 to 1 July 2072, from 9 April 2004 to 8 April 2074 and from 3 June 1998 to 2 June 2068 respectively for residential use.			
(2) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 for a valid operation period from 24 April 1997 to 23 April 2067.			
(3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-			
(i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and			
(ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.			
(4) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-			
Certificate of Real Estate Ownership			Yes (Land only)
Business Licence			Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
23. Jinqiu School, Club House and Kindergarten situated at California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	<p>The property comprises 4 classroom buildings, a 2-storey club house and a 2-storey kindergarten in a residential development. They were completed between 1999 and 2005.</p> <p>The property has a total gross floor area of 14,808.19 sq.m. (159,395 sq.ft.)</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted to the Group for a term of 70 years for residential use.</p>	<p>At the Date of Valuation, portion of the property were subject to various tenancies at a total monthly rental receivable of approximately RMB152,800. The remaining portions of the property were operated by the Group as school and sales office.</p>	<p>RMB122,000,000</p> <p>(98.2% interest attributable to the Group: RMB119,804,000)</p>

Notes:

- (1) According to 3 Shanghai Certificate of Real Estate Ownership Nos. (2006)036777, (2002)025337 and (2005)012554, issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights and building ownership of the property have been vested in Shanghai Ching Chu property Development Co., Ltd., subsidiary of the Group, for terms from 3 June 1998 to 2 June 2068, 17 June 1997 to 16 June 2067, 2 July 2002 to 1 July 2072 respectively for residential use.
- (2) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 (with a paid-up capital of USD17,000,000) for a valid operation period from 24 April 1997 to 23 April 2067.
- (3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
 - (i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (4) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Certificate of Real Estate Ownership
Business Licence

Yes
Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
24.	<p>The whole level 4 of Xin Shi Dai Mansion, No. 11 Jianshe 3rd Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC</p> <p>The property has a total gross floor area of 1,001.73 sq.m. (10,783 sq.ft.).</p> <p>The property is located at the urban area of Yuexiu District of Guangzhou commercial developments.</p> <p>The land use rights of the property have been granted for terms of 40 years for commercial use and 50 years for office use from 6 February 1996.</p>	<p>At the Date of Valuation, the property was owner-occupied for office use.</p>	<p>RMB12,000,000</p> <p>(50% interest attributable to the Group: RMB6,000,000)</p>

Notes:

- (1) According to Certificate of Real Estate Ownership issued by Guangzhou Land Administrative Bureau, the land use rights of the property has been vested in Guangdong Xin Shi Dai Real Estate Co. Ltd. (廣東新時代房地產有限公司), joint venture of the Group, for terms of 40 years for commercial use and 50 years for office use from 6 February 1996.
- (2) According to Business License No. 0324066, Guangdong Xin Shi Dai Real Estate Co. Ltd. was established on 18 October 1994 as a limited company with a registered capital of RMB68,000,000.
- (3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
 - (i) Guangdong Xin Shi Dai Real Estate Co. Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
 - (ii) Guangdong Xin Shi Dai Real Estate Co. Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (4) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VIII – Property held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
25. The unsold portion of California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	<p>The property comprises unsold residential development of Jinqiu Garden completed between 1999 and 2015.</p> <p>The property has a gross floor area of 11,886.32 sq.m. (127,944 sq.ft.).</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted to the Group for terms of 70 years from 3 June 1998 to 2 June 2068, 17 June 1997 to 16 June 2067, 2 July 2002 to 1 July 2072 and 9 April 2004 to 8 April 2074 respectively.</p>	At the Date of Valuation, the property was vacant.	<p>RMB332,000,000</p> <p>(98.2% interest attributable to the Group: RMB326,024,000)</p>

Notes:

- (1) According to 7 Shanghai Certificate of Real Estate Ownership Nos. (2002)025337, (1999)009983, (2008)003694, (2008)004026, (2008)003693, (2015)004330 and (2015)004331 issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights and building ownership of the property have been vested in Shanghai Ching Chu property Development Co., Ltd., subsidiary of the Group, for terms from 3 June 1998 to 2 June 2068, 17 June 1997 to 16 June 2067, 2 July 2002 to 1 July 2072 and 9 April 2004 to 8 April 2074 respectively.
- (2) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 (with a paid-up capital of USD17,000,000) for a valid operation period from 24 April 1997 to 23 April 2067.
- (3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
 - (i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government;
 - (ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (iii) Shanghai Ching Chu Property Development Co., Ltd has the rights to sell the property.

- (4) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Certificate of Real Estate Ownership
Business Licence

Yes
Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015								
26. Areas 16 and 17B, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	<p>The property comprises a portion of residential development of Area 16 and Area 17B which are under construction. It is erected upon a parcel of land with a total site area of 152,231 sq.m. (1,638,614 sq.ft.).</p> <p>Upon completion, the property will have a total gross floor area of approximately 87,661.25 sq.m. (943,586 sq.ft.) with details as follow:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">82,785.16</td> </tr> <tr> <td>Underground</td> <td style="text-align: right; border-bottom: 1px solid black;">4,876.09</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">87,661.25</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Residential	82,785.16	Underground	4,876.09	Total	87,661.25	At the Date of Valuation, the property was under construction.	RMB2,210,000,000 (98.2% interest attributable to the Group: RMB2,170,220,000)
Use	Approximate Gross Floor Area (sq.m.)										
Residential	82,785.16										
Underground	4,876.09										
Total	87,661.25										
	<p>The whole development is scheduled to be completed in 2017.</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted to the Group for a term of 70 years from 3 June 1998 to 2 June 2068, from 8 September 2005 to 7 September 2075 and from 18 January 2006 to 17 January 2076 respectively for residential use.</p>										

Notes:

(1) According to 3 Shanghai Certificate of Real Estate Ownership Nos. (2005)036873, (2006)036777 and (2006)007537 issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights and building ownership of the property have been vested in Shanghai Ching Chu property Development Co., Ltd., subsidiary of the Group, for terms from 3 June 1998 to 2 June 2068, 8 September 2005 to 7 September 2075 and 18 January 2006 to 17 January 2076 for residential use.

(2) According to 3 Land Use Rights Grant Contracts Nos. (1998), (2005) 086 and (2006)012 entered into between Baoshan District Housing and Land Administration Bureau ("Party A") and Shanghai Ching Chu Property Development Co., Ltd., subsidiary of the Group ("Party B"), Party A has agreed to grant the land use rights of the development to Party B with details as follows:-

Contract No.	Site Area (sq.m.)	Land Use Term	Land Use	Plot Ratio	Land Premium (RMB)
(1998)1	222,950.00	70 years	Residential	≤0.8	17,836,000
(2005)086	97,051.00	70 years	Residential	≤0.99	9,705,100
(2006)012	55,179.90	70 years	Residential	≤1.05	5,517,990

(3) According to 2 Planning Permits for Construction Use of Land Nos. (2005)13050429E00347 and (2004)0083, the construction site of the property with a site area of 175,526.40 sq.m. is in compliance with the urban planning requirements.

(4) According to 2 Planning Permits for Construction Works Nos. (2008)13080227F00436 and (2009)FA31011320090846, the construction works of the property with a total gross floor area of 126,234.45 sq.m. are in compliance with the construction works requirements and have been approved.

(5) According to 2 Commencement Permits for Construction Works Nos. 310113200708291619 and 310113200903022519, the construction works of the development with a gross floor area of 126,234.42 sq.m. are in compliance with the requirements for works commencement and have been permitted.

(6) The gross development value when completed of the property as at 31 May 2015 was RMB2,890,000,000.

(7) According to the Group, residential portion of the property with a total gross floor area of 7,489.28 sq.m. have been pre-sold at a total consideration of approximately RMB240,700,000. We have included it in our valuation.

(8) According to the information provided by the Group, the expended construction cost as at 31 May 2015 was approximately RMB448,000,000. The estimated outstanding construction cost was approximately RMB191,000,000. In the course of our valuation, we have taken such costs into account.

(9) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 (with a paid-up capital of USD17,000,000) for a valid operation period from 24 April 1997 to 23 April 2067.

(10) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-

(i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government in respect of the construction of the property;

- (ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgage, the Group has to obtain the mortgagee's consent in advance; and
- (iii) Area 16 of the property is subject to a mortgage in favour of Shanghai Rural Commercial Bank Co., Ltd..
- (11) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Certificate of Real Estate Ownership	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015												
27. The proposed development Huadi Jiayuan at No. 10, North of Miaoqian Street, Chajiao, Liwan District, Guangzhou, Guangdong Province, the PRC	<p>The property is erected upon a parcel of site with a site area of approximately 24,359 sq.m. (262,200 sq.ft.).</p> <p>Upon completion, the property will have a total gross floor area of 96,985.50 sq.ft. (1,043,952 sq.ft.) with details as follow:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage Use</th> <th style="text-align: right;">Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">63,505.40</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">2,582.20</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">7,980.80</td> </tr> <tr> <td>Underground</td> <td style="text-align: right; border-top: 1px solid black;">22,916.10</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">96,984.50</td> </tr> </tbody> </table>	Usage Use	Approximate Gross Floor Area (sq.m.)	Residential	63,505.40	Commercial	2,582.20	Ancillary	7,980.80	Underground	22,916.10	Total	96,984.50	At the Date of Valuation, the property was under construction.	RMB1,350,000,000
Usage Use	Approximate Gross Floor Area (sq.m.)														
Residential	63,505.40														
Commercial	2,582.20														
Ancillary	7,980.80														
Underground	22,916.10														
Total	96,984.50														
	<p>The whole development is scheduled to be completed in 2016.</p> <p>The property is located at the urban area of Liwan District of Guangzhou. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for the other uses from 6 April 2005.</p>														

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2008)01100114, the land use rights of the property have been vested Guangzhou Xingqiao Real Estate Development Co. Ltd. (廣州市星僑房地產開發有限公司) for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for the other uses from 6 April 2005.

- (2) According to Transfer Contract of Land Use Rights No. (2005) 10049 dated 19 September 2005 entered into between Guangzhou Jiancai Real Estate Development Co. Ltd. (廣州市建材房地產開發有限公司) and Guangzhou Fiber Reinforced Plastics Factory (廣州市玻璃鋼總廠) (“Party A”) and Guangzhou Xingqiao Property Management Co. Ltd. (“Party B”), Party A agreed to transfer the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 24,359 sq.m. to Party B at a consideration of RMB70,000,000.
- (3) According to 2 Planning Permits for Construction Use of Land Nos. (2008)7991 and (2006)6044, the construction site of the property with a site area of 35,517 sq.m. is in compliance with the urban planning requirements.
- (4) According to 5 Planning Permits for Construction Works Nos. (2012)1904, (2012)1903, (2012)1904, (2012)452 and (2010)3097, the construction works of the property with a total gross floor area of 96,984.50 sq.m. are in compliance with the construction works requirements and have been approved.
- (5) According to Commencement Permit for Construction Works No. 440103201105230101, the construction works of the property with a gross floor area of 3,539 sq.m. are in compliance with the requirements for works commencement and have been permitted.
- (6) The gross development value when completed of the property as at 31 May 2015 was RMB1,727,000,000.
- (7) According to the information provided by the Group, the expended construction cost as at 31 May 2015 was approximately RMB360,200,000. The estimated outstanding construction cost was approximately RMB120,300,000. In the course of our valuation, we have taken such costs into account.
- (8) According to Business Licence No. 0491743 Guangzhou Xingqiao Real Estate Development Co. Ltd. was established on 29 September 2004 as a limited company with a registered capital of USD280,000,000.
- (9) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
- (i) Guangzhou Xingqiao Real Estate Development Co. Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
- (ii) Guangzhou Xingqiao Real Estate Development Co. Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property.
- (10) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Transfer Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit for Construction Works | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015														
28. The proposed development Xin Shi Dai Mansion, west of Jianshe 3rd Road, South of Jiansheheng Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises a composite development being erected upon a parcel of land with a total site area of 2,963 sq.m. (28,987 sq.ft.).</p> <p>Upon completion, the property will have a total gross floor area of 21,343.20 sq.m. (229,738 sq.ft.) with details as follow:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage Use</th> <th style="text-align: right;">Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">12,231.10</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">4,143.10</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">644.30</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">2,592.30</td> </tr> <tr> <td>Underground</td> <td style="text-align: right; border-bottom: 1px solid black;">1,732.40</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">21,343.20</td> </tr> </tbody> </table>	Usage Use	Approximate Gross Floor Area (sq.m.)	Residential	12,231.10	Office	4,143.10	Commercial	644.30	Ancillary	2,592.30	Underground	1,732.40	Total	21,343.20	At the Date of Valuation, the property was under construction.	<p>RMB328,000,000</p> <p>(50% interest attributable to the Group: RMB164,000,000)</p>
Usage Use	Approximate Gross Floor Area (sq.m.)																
Residential	12,231.10																
Office	4,143.10																
Commercial	644.30																
Ancillary	2,592.30																
Underground	1,732.40																
Total	21,343.20																
	<p>The whole development is scheduled to be completed in 2017.</p> <p>The property is located at urban area of Yuexiu District of Guangzhou. Developments nearby are mainly commercial developments.</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for other uses from 20 December 2004.</p>																

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2005)419, the land use rights of the property have been vested in Guangdong Xin Shi Dai Real Estate Co. Ltd. (廣東新時代房地產有限公司), joint venture of the Group, for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for other uses from 20 December 2004.

- (2) According to Planning Permit for Construction Use of Land Nos. (1994)91, the construction site of the property with a site area of 3,948 sq.m. is in compliance with the urban planning requirements.
- (3) According to Planning Permits for Construction Works No. (2007)5070, the construction works of the property with a total gross floor area of 1,732 sq.m. are in compliance with the construction works requirements and have been approved.
- (4) According to 2 Commencement Permits for Construction Works Nos. 440102200811175401 and 440102200803131501, the construction works of the property with a gross floor area of 1,732 sq.m. are in compliance with the requirements for works commencement and have been permitted.
- (5) The gross development value when completed of the property as at 31 May 2015 was RMB576,000,000.
- (6) According to the information provided by the Group, the expended construction cost as at 31 May 2015 was approximately RMB26,800,000. The estimated outstanding construction cost was approximately RMB67,000,000. In the course of our valuation, we have taken such costs into account.
- (7) According to Business Licence No. 440000400006719 Guangdong Xin Shi Dai Real Estate Co. Ltd. was established on 18 October 1994 as a limited company with a registered capital of RMB68,000,000.
- (8) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
- (i) Guangdong Xin Shi Dai Real Estate Co. Ltd. is the sole legal user of the property and has obtained the relevant certificates and approvals from the government; and
- (ii) Guangdong Xin Shi Dai Real Estate Co. Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property.
- (9) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Transfer Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit for Construction Works | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
29. Commercial Center of California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	<p>The property comprises Commercial Center of California Garden to be erected upon a portion of parcel of land with a total site area of 11,667.40 sq.m. (125,588 sq.ft.).</p> <p>Upon completion, the property will be developed into a low-density residential development with a planned total gross floor area of approximately 9,333.92 sq.m. (100,470 sq.ft.).</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted to the Group for terms of 70 years for residential use.</p>	At the Date of Valuation, the property was vacant.	<p>RMB26,000,000</p> <p>(98.2% interest attributable to the Group: RMB25,532,000)</p>

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006)036777 issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights and building ownership of the property have been vested in Shanghai Ching Chu property Development Co., Ltd., subsidiary of the Group, for terms from 3 June 1998 to 2 June 2068 for residential use.
- (2) According to Land Use Rights Grant Contract No. (1998)1 entered into between Baoshan District Housing and Land Administration Bureau ("Party A") and Shanghai Ching Chu Property Development Co., Ltd., subsidiary of the Group ("Party B"), Party A has agreed to grant the land use rights of the development to Party B with details as follows:-

Contract No.	Site Area (sq.m.)	Land Use Term	Land Use	Plot Ratio	Land Premium (RMB)
(1998)1	222,950.00	70 years	Residential	≤0.8	17,836,000

- (3) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 (with a paid-up capital of USD17,000,000) for a valid operation period from 24 April 1997 to 23 April 2067.

- (4) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-
- (i) Shanghai Ching Chu Property Development Co., Ltd is the sole legal user of the property and has obtained the relevant certificates and approvals from the government;
 - (ii) Shanghai Ching Chu Property Development Co., Ltd has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
- (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-
- | | |
|---------------------------------------|-----|
| Certificates of Real Estate Ownership | Yes |
| Land Use Rights Grant Contract | Yes |

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
30. The proposed development Gantangyuan at Huadi, Fangcun, Liwan District, Guangzhou, Guangdong Province, the PRC	<p>The property is erected upon a parcel of site with a site area of approximately 7,687 sq.m. (82,743 sq.ft.).</p> <p>Upon completion, the property will be developed into a composite development with a planned total gross floor area of approximately 47,080 sq.m. (506,769 sq.ft.).</p> <p>The property is located at the urban area of Liwan District of Guangzhou. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for other uses from 19 June 1998.</p>	At the Date of Valuation, the property was a vacant site pending site clearance and building demolition.	RMB581,000,000

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2004) 105, the land use rights of a parcel of land with a site area of approximately 7,687 sq.m. had been granted to Guangdong Province Xintuo Real Estate Development Co. (廣東省信託房產開發公司) for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses, and 50 years for other uses from 19 June 1998.
- (2) According to Planning Permit for Construction Use of Land No. (2003)392, the construction site of the property with a site area of 9,496 sq.m. is in compliance with the urban planning requirements.
- (3) According to Planning Permit for Construction Works No. (1993)348, the construction works of the property with a gross floor area of 41,700 sq.m. are in compliance with the construction works requirements and have been approved.
- (4) According to Business Licence No. 0720320, Guangzhou Dongqiao Real Estate Development Co. Ltd. was established on 13 February 2003 as a limited company with a registered capital of USD5,000,000.
- (5) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-

- (i) The land use rights of the property is seized by the Guangzhou Supreme People's Court. According to the decision of Guangzhou Arbitration Commission, Guangzhou Dongqiao Real Estate Development Co. Ltd. is in possession of a proper legal title to the property.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

State-owned Land Use Rights Certificate	Yes (part)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
31. Areas 12 to 15 and 18, California Garden, Jinqiu Road, Baoshan District, Shanghai, the PRC	<p>The property comprises 3 parcels of land with a total site area of 255,647 sq.m. (2,751,784 sq.ft.).</p> <p>As advised by the Group, the property will be developed into a residential development.</p> <p>The property is located at the rural area of Baoshan District of Shanghai. Developments nearby are mainly residential developments.</p> <p>The land use rights of the property have not been granted to the Group.</p>	At the Date of Valuation, the property was a vacant site pending site clearance and building demolition.	No commercial value

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the individual title certificate has not been fully obtained. Had all valid Certificates for the Use of State-owned Land been issued to the property, all land premium and related fees for the grant of the certificates and compensation to and resettlement of any original occupiers to make way for the proposed development been fully settled, the market value of the property as a vacant cleared site as at 31 May 2015 would be RMB3,990,000,000.

As advised by the Group, the amount of land premium and related fees for the grant of the certificates and compensation to and for the resettlement of any original occupiers to be paid by the Group can only be estimated after the relevant government authorities commence the process of the relevant applications and negotiation (the “Process”). The Group has been making requests to the relevant government authorities to commence the Process for more than ten years and there is no indicative timeline for the commencement of the Process. On this basis, the Group has no information on the estimated amount and timeline for such payments, which are subject to the progress to be made by the relevant government authorities. The Group expects the amount of such payments to be notified to the Group after completion of the Process. Notwithstanding that, the Group has no current or future obligation to make such payments should the Group decide not to further develop the property.

- (2) According to 3 Contracts for Land Value-added Revenue Nos. (2004) 005, (2004)006 and (2006)001 entered into between Baoshan District Land Reserve Center (“Party A”) and Shanghai Ching Chu Property Development Co., Ltd., subsidiary of the Group (“Party B”), the total site area of the property is about 255,647 sq.m. and the total land value-added revenue is about RMB95,298,175.
- (3) According to 3 Planning Permits for Construction Use of Land No. (2003) 0241, (2003)0339 and (2004)0190 issued by Baoshan District Planning Administration Bureau, the construction land of the property was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of approximately 278,108 sq.m.

(4) According to Business Licence No. 310000400169600, Shanghai Ching Chu Property Development Co., Ltd. was established as a limited liability company with a registered capital of USD35,000,000 (with a paid-up capital of USD17,000,000) for a valid operation period from 24 April 1997 to 23 April 2067.

(5) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-

Upon the relevant land appreciation fee has been settled, all relevant procedures for land acquisition and resettlement have been completed and the relevant land use rights grant contract has been signed with the relevant land administrative bureau, Shanghai Ching Chu Property Development Co., Ltd has no legal obstacle to obtain the Certificate of Real Estate Ownership of the property from the relevant government department.

(6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Contracts for Land Value-added Revenue	Yes
Planning Permit for Construction Use of Land	Yes

VALUATION CERTIFICATE

Group XI – Property held by the Group for investment in Australia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
32. 2-92 Rebecca Walk, Northbank Place, Melbourne Victoria 3000, Australia	<p>The property comprises 15 retail shops of a single storey building completed in the late 2000's.</p> <p>The total lettable area of the property is approximately 813 sq.m. (8,751 sq.ft.)</p> <p>The property is located near Yarra River and Batman Park. The locality is characterized by commercial and residential developments.</p> <p>The property is held under a leasehold interest from the Hon. Tim Pallas MP for an initial term from 5 April 2007 to 12 November 2047 subject to options of renewal for terms of 21 years plus 21 years plus 7 years until 12 November 2096. The annual ground rent payable is AUD1.</p>	<p>As at the Date of Valuation, 5 of the shops were leased to various tenants with the latest tenancy due to expire in February 2020 at a total annual rent of about AUD150,700. The remainder of the property was vacant.</p>	AUD1,550,000

Notes:

- (1) The registered owners of the leasehold interest of the property are Far East Consortium (Australia) Pty Ltd, a wholly owned subsidiary of the Group, Royal Domain Towers Pty Ltd, a wholly owned subsidiary of the Group and Oceanis NB Pty Ltd, an independent third party.
- (2) The property is not subject to any encumbrances.
- (3) The property falls within "Capital City Zone".

VALUATION CERTIFICATE

Group XII – Property held by the Group for sale in Australia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015
33. 11 Gem Place and 5 Norval Place, Northbank Place, Melbourne Victoria 3000, Australia	<p>The property comprises two ground floor retail units of two buildings within the same development completed in about 2009.</p> <p>The total lettable area of the property is approximately 139.30 sq.m. (1,499 sq.ft.)</p> <p>The property is located near Yarra River and Batman Park. The locality is characterized by commercial and residential developments.</p> <p>The property is held under freehold ownership.</p>	As at the Date of Valuation, the property was vacant.	AUD750,000

Notes:

- (1) The registered owners of the property are Far East Consortium (Australia) Pty Ltd, a wholly owned subsidiary of the Group (1/4), Royal Domain Towers Pty Ltd, a wholly owned subsidiary of the Group (1/4) and Oceanis NB Pty Ltd (2/4), an independent third party.
- (2) The property is not subject to any encumbrances.
- (3) The property falls within "Capital City Zone".

A Portfolio Valuation prepared for
FAR EAST CONSORTIUM INTERNATIONAL LIMITED
 Date of Valuation: 31 May 2015

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INDIVIDUAL PROPERTY VALUATION CERTIFICATES

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1 SUMMARY OF PORTFOLIO VALUATION

Valuation Certificate	Property Name	Property Address	Suburb	Brief Description	Date of Valuation	Date of Inspection	Capital Value
VC1	Upper West Side Retail	220 Spencer Street & 639 Lonsdale Street	Melbourne	The Property consists of 16 retail units ranging between 31 and 307.3 square meters of GLAR and totalling 1,395 square meters of GLAR. The retail units were built between 2012 and 2014 and are in good condition.	31-May-15	02-May-15	AUD11,680,000
VC2	Office Suites	370 St Kilda Road	Melbourne	The Property consists of eight (8) contiguous office units totalling 497 square meters of GLA. The Property was originally built in 1965 and subdivided into commercial units in 1999. The property is in good condition. The Property has seven (7) basement car park spaces and (3) bicycle spaces.	31-May-15	02-Jun-15	AUD1,860,000
VC3	Redevelopment Site	244-276 Spencer Street	Melbourne	The Property consists of seven (7), titled sites, totalling 11,757.2 square meters. The Property is approved for four, high density towers ranging in height between 67 and 90 stories. The proposed development will consist of 2,853 residential apartments totalling 151,209 square meters of NSA, 488 hotel units totalling 14,460 square meters of NSA, and 104 retail shops totalling 7,785 square meters of NLA.	31-May-15	28-May-15	AUD124,000,000

APPENDIX IV (B)

**PROPERTIES LOCATED IN AUSTRALIA
(VALUED BY CBRE)**

Valuation Certificate	Property Name	Property Address	Suburb	Brief Description	Date of Valuation	Date of Inspection	Capital Value
VC4	Manhattan	639 Lonsdale Street	Melbourne	The Property is known as "Manhattan" at Upper West Side. The Property is approved for one, high density tower with 53 stories. The proposed development will consist of 641 residential apartments totalling 41,729.1 square meters of NSA and 11 retail shops totalling 958.2 square meters of NLA. Vertical construction commenced in November 2014 underway and is expected to be complete in Q4 2016.	31-May-15	28-May-15	AUD100,000,000
VC5	Midtown	610 Little Bourke Street	Melbourne	The Property is known as "Midtown" at Upper West Side. The Property is approved for one, high density tower with 31 stories. The proposed development will consist of 282 residential apartments totalling 17,794.2 square meters of NSA and 6 retail shops totalling 465.4 square meters of NLA.	31-May-15	28-May-15	AUD82,000,000
VC6	Redevelopment Site	605 Lonsdale Street	Melbourne	The Property consists of one (1) Certificates of Title totaling 1,072.4 square meters. The Property is approved for a 50 story building that includes ground level retail shops and residential uses. The proposed development will consist of 402 apartments totalling 26,051 square meters of NSA and 5 retail shoppes totalling 298 square meters of NLA. Construction is anticipated to commence in May 2015.	31-May-15	28-May-15	AUD25,000,000

APPENDIX IV (B)

**PROPERTIES LOCATED IN AUSTRALIA
(VALUED BY CBRE)**

Valuation Certificate	Property Name	Property Address	Suburb	Brief Description	Date of Valuation	Date of Inspection	Capital Value
VC7	Elizabeth Quay	Lots 9 & 10 on Draft Deposited Plan 401000	Perth	The Property consists of two (2) proposed lots totaling 6,823 square meters. The proposed development consists of a 204 room Ritz – Carlton hotel, 379 residential or serviced apartments, and several ground floor retail units. Creation of the land lots is currently in progress with completion expected late 2015/ early 2016.	31-May-15	29-Jun-15	AUD25,000,000
VC8	Various Properties	360 St Kilda Road	Melbourne	The property comprises 10 subdivided lots within the Royal Domain Plaza Apartments complex, that was originally constructed in 1975 and refurbished in 1989, with the building reconstructed into apartment, car parking and retail in 2001. The individual lots comprise 8 single secure car parking spaces and 2 lots that are currently used for storage.	31-May-15	14-Jul-15	AUD218,000
VC9	Various Properties	220 Spencer Street & 639 Lonsdale Street	Melbourne	The assessment comprises 13 completed residential apartments within Stage 1, known as "Hudson", being a high density apartment tower within the overall "Upper West Side" development. The subject apartments were completed in early 2013. Further to this, we have also assessed the various car spaces and attached ancillary lots that are situated on various levels of the basement and podium level car park, comprising a total of 70 car spaces.	31-May-15	20-Jul-15	AUD6,500,000

2 STANDARD ASSUMPTIONS, DISCLAIMERS, LIMITATIONS & QUALIFICATIONS

Valuation Subject To Change:	Premise 1 – Real estate values vary from time to time in response to changing market circumstances and it should, therefore, be noted that this valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. It is, therefore, recommended that the valuation be reviewed periodically.
Our Investigations:	Premise 2 – The valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable you to instruct further investigations if you consider this appropriate or we recommend as necessary to allow us to complete the valuation. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions:	Premise 3 – Assumptions are a necessary part of undertaking valuations/the valuation. CBRE adopts assumptions for the purpose of providing its valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. The person or entity to whom the report is addressed acknowledges and accepts that the valuation contains certain specific assumptions and as such the person or entity to whom this report is addressed acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.
Information Supplied By Others:	Premise 4 – The valuation contains information which is derived from other sources. Unless otherwise specifically instructed by you and/or stated in the valuation, we have not independently verified that information, nor adopted it as our own, or accepted its reliability. The person or entity to whom the report is addressed acknowledges and accepts the risk that if any of the unverified information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.

- Future Matters: Premise 5 – To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
- GST: Premise 6 – Issues concerning GST continue to arise which impact on market values. Where relevant, the valuation is based on the assumptions relating to GST set out in the Valuation Rationale section of this document. If any of the assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to CBRE for comment and, in appropriate cases, amendment.
- Site Details: Premise 7 – A current survey has not been provided. The valuation is made on the basis that there are no encroachments by or upon the property and the person or entity relying upon the valuation should confirm this by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, that person or entity must not rely upon the valuation, before first consulting CBRE to reassess any effect on the value stated in the valuation.
- Property Title: Premise 8 – We have conducted a brief title search only. We have not perused the original Crown Grant documentation. We have assumed that there are no further easements or encumbrances not disclosed by this brief title search which may affect market value. However, in the event that a comprehensive title search is undertaken by the person or entity relying upon the valuation, which reveals further easements or encumbrances, that person or entity must not rely upon the valuation, before first consulting CBRE to reassess any effect on the valuation.
- Environmental Conditions: Premise 9 – Refer to Section 2.3 Environmental.

- Town Planning: Premise 10 – It is assumed that information provided to us by the relevant Local Authority Town Planning Department is accurate. In the event that a Town Planning Certificate or any other relevant Planning Certificate or document is obtained and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.
- Inclusions & Exclusions: Premise 11 – Where applicable, our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant) or are used in connection with the business(es) carried on within the property.
- Floor Areas: Premise 12 – Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the approved plans provided or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a final survey plan to determine whether the areas provided differ from those adopted. In the event that the final survey plan reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.
- Disability Discrimination Act: Premise 13 – The Disability Discrimination Act deals with discrimination against persons with disabilities in respect to access to premises as well as many other areas. CBRE are not experts in discrimination issues and the application of the Disability Discrimination Act to real property. Should the person or entity to whom the report is addressed have any concern as to whether the subject property may have any shortcomings in respect to this Act, we recommend that expert advice be sought from professionals qualified in this area. If any shortcomings of the property are revealed by the expert advice, then this advice should not be relied upon and should be provided to CBRE for consideration and possible review of the valuation.

Condition & Repair:	Premise 14 – Our valuation assumes that upon completion a detailed report of the structure and service installations of the building(s) would not reveal any defects requiring significant expenditure. Additionally, we assume that all structures will comply with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.
Valuation Methodology:	Premise 15 – The primary valuation methodology used by CBRE in valuing the subject property is the residual cashflow analysis incorporating a number of key assumptions including development costs, construction timing, gross realisations, rates of sale and developers margin. This method has been reconciled with known evidence on a rate per square metre of site area, rate per permitted dwelling and an additional check on a rate per square metre of NSA. The result is the best estimate of value CBRE can produce, but it is an estimate and not a guarantee and it is fully dependent upon the accuracy of the assumptions and market conditions. These primary valuation methodologies use market derived assumptions obtained from analysed transactions. Where reliance has been placed upon external sources of information in applying the valuation methodologies, unless otherwise specifically instructed by you and/or stated in the valuation, CBRE has not independently verified that information and CBRE does not adopt that information and/or advice nor accept it as reliable. The person or entity to whom the report is addressed acknowledges and accepts the risk that if any of the unverified information in the valuation is incorrect, then this may have an effect on the valuation.
Not a Structural Survey:	Premise 16 – We state that this is a valuation report, and not a Structural Survey.

3 INTRODUCTION

3.1 Instructions

We refer to written instructions received from Sue Lyons, Company Secretary – Far East Consortium (Australia) Pty Ltd, dated 20 May 2015 and subsequent instructions dated 1 July 2015.

We have been requested to provide an assessment of various properties within the Far East Consortium Portfolio for Financial Reporting Purposes (Reporting to the Hong Kong Stock Exchange) to be relied upon by the following:

- Far East Consortium International Limited.

We have been instructed to undertake a valuation on the following basis:

- Individual Current Market Value Assessments “As Is”;

CBRE have undertaken an in-depth analysis of all properties contained within the portfolio and we specifically refer the reader to the individual valuation reports prepared for the individual properties. This Portfolio Valuation Summary must be read in conjunction with the full valuation reports provided to Far East Consortium International Limited.

3.2 Extension of Liability & Confidentiality

Liability limited by a scheme approved under Professional Standards Legislation.

This report may only be relied upon by Far East Consortium International Limited to whom the report is addressed for the specific purpose to which it refers.

No responsibility is accepted or assumed to any third party, nor should there be any reliance upon this report by any third party other than Far East Consortium International Limited to whom the report is addressed, without our express written agreement.

This report is confidential as between CBRE and the instructing party, and any other party to whom CBRE agrees in writing may rely upon the valuation report.

Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE of the form and context in which it appears.

3.3 Market Movement

This valuation is current as at the date of valuation only. The value assessed herein may in the future change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE does not accept liability for losses arising from subsequent changes in value. Nor should the valuation be relied upon if in the knowledge of Far East Consortium International Limited or anyone acting on behalf of the aforementioned parties become aware that a change in the value may have occurred because of those factors noted earlier in this paragraph or any other similar factors.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability, nor should reliance be placed upon the valuation, or anything contained within the valuation report where this valuation report is relied upon after the expiration of 3 months from the date of valuation, or such earlier date if you or someone acting on your behalf with CBRE prior written agreement become aware or are aware of any factors that have any effect on the valuation.

3.4 Reliance upon Report (intended party only, original report only, sent from CBRE only)

Only an original CBRE Report and Valuation relating to the property addressed herein, received directly from CBRE to the lender without any third party intervention, can be relied upon by the intended party for the use stated within the report. Use by or reliance upon anything other than an original CBRE Report and Valuation is not permitted. No responsibility is accepted to the intended party or any third party who may use or rely upon the whole or any part of an electronic version or any other copy of a CBRE Report and Valuation.

3.5 GST Assumptions

The GST was introduced on 1 July 2000, following which the provider of certain goods and services is subject to a 10% tax on their added value. Since that time, legislative amendments have been introduced regarding property developments. Refer to the Critical Assumptions and Valuation Rationale sections of this report for commentary regarding the treatment of GST within our valuation. If any of the GST assumptions made within this report prove to be incorrect, we reserve the right to revise our valuations as provided herein, should we deem it to be necessary.

3.6 Valuer's Interest

We hereby certify that the principal valuer is suitably qualified and authorised to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property (including the parties with whom our client is dealing, including the lender or selling agent, if any); and accepts instructions to value the property only from the instructing party.

3.7 Market Value Definitions

(Note: The International Valuation Standard referred to herein is adopted by API 2008 and PINZ 2009.)

In accordance with the International Valuation Standard, the definition of market value is as follows:

Market Value Definition

“Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Market Value – Gross Realisation

The “Gross Realisation” value assessed herein is the sum of the Market Values of the individual units which a property can achieve over a specified selling period, assuming an orderly sale, between willing buyers and willing sellers, in arm’s length transactions, after proper marketing, wherein the parties acted knowledgeably, prudently and without compulsion.

Market Value – In One Line

The “In One Line” value assessed herein is based on the assumption of a single transaction for the total holding to one buyer, as at 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.

Project Related Site Assessment

The “Project Related Site Assessment” is the value of the site in relation to the particular project intended, being an amount which depends entirely upon the success of the project as forecast in the valuation. The project related site assessment is an assessment concluded by way of a hypothetical development/feasibility analysis in relation to the particular project proposed.

Disclaimer

The Project Related Site Assessment makes a fundamental assumption that the nominated project will proceed in a timely manner, and as a consequence, if the project does not proceed it has no relevance to the market value of the land.

3.8 Qualifications

This valuation report is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this report and to those included within the Assumptions, Disclaimers, Limitations & Qualifications section of this report.

4 DISCLAIMERS, LIMITATIONS AND QUALIFICATIONS

This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.

We enclose herewith our summary of values and valuation certificates.

Your faithfully,
for and on behalf of
CBRE Limited

Elliott Hau
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Elliott Hau is a member of Hong Kong Institution of Surveyors. He has over 10 years of valuation experience in Hong Kong.

INDIVIDUAL PROPERTY VALUATION CERTIFICATES

APPENDIX I VALUATION CERTIFICATE – I

Group I: Property interests held by Far East Consortium International Limited and its subsidiaries (the “Target Group”) for Investment in the Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
<p>The Property consists of 16 subdivided retail units located at 220 Spencer Street & 607 Lonsdale Street in Melbourne, VIC.</p> <p>The Property is located in the Upper West Side development, which occupies the land bordered by Lonsdale Street to the north, Spencer Street to the west, Little Bourke Street to the south and Rose Lane to the east.</p> <p>The Property is located near the Melbourne CBD.</p>	<p>The Property consists of 16 retail units ranging between 31 and 307.3 square meters of GLAR and totalling 1,395 square meters of GLAR. The retail units were built between 2012 and 2014 and are in good condition.</p> <p>The individual properties do not include car parking.</p>	<p>Currently, four of the retail units are occupied totalling 25% of the total units and 43.8% of the total GLAR.</p> <p>The existing lease terms range between 5 and 10 years. Typical retail leases are signed on a Semi-Gross Basis, with tenants reimbursing a pro rata share of operating expenses, excluding State Land Tax.</p> <p>The total Potential Gross Income (PGI) for Year One of the analysis is estimated to be \$909,019 per year.</p> <p>The current market rent is between \$400 and \$1,040 per square meter and averaging \$602 per square meter on a Net basis.</p> <p>The Property is encumbered by four leases with an average size of 152.9 square meters. The eight vacant units range between 35.5 and 157 sqm and average 97.9 square meters.</p>	<p>AUD11,680,000</p> <p>(AUSTRALIAN DOLLARS – ELEVEN MILLION SIX HUNDRED EIGHTY THOUSAND)</p> <p>(100% interest attributable to the Target Group: AUD11,680,000)</p>

Notes:

- a) The registered owner for the property is Far East Consortium (Australia) Pty Ltd, which is contained in 16 Title Certificates. The ownership interest is summarized as follows
- Lot 101T: – Lot 101T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 878.
 - Lot 102T: – Lot 102T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 879.

- Lot 103T: – Lot 103T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 880.
 - Lot 105T: – Lot 105T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 881.
 - Lot 201T: – Lot 201T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 882.
 - Lot 202T: – Lot 202T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 883.
 - Lot 203T: – Lot 203T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 884.
 - Lot 204T: – Lot 204T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 885.
 - Lot 205T: – Lot 205T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11405 Folio 886.
 - Lot 211T: – Lot 211T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 001.
 - Lot 206T: – Lot 206T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 005.
 - Lot 207T: – Lot 207T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 006.
 - Lot 208T: – Lot 208T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 007.
 - Lot 209T: – Lot 209T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 008.
 - Lot 212T: – Lot 212T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 009.
 - Lot 210T: – Lot 210T on Plan of Subdivision 633275D, more particularly described as land contained within Certificate of Title Volume 11479 Folio 452.
- b) There are no known encumbrances noted in the title/ownership record search.
- c) As confirmed by the Target Group, the individual properties are not encumbered by a loan/mortgage.
- d) As confirmed by the Target Group, Far East Consortium (Australia) Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- e) The ownership interest is Freehold.
- f) The property lies within “Capital City 1” zone under the Melbourne Planning Scheme.
- g) The Property was recently developed and has not previously transacted, therefore, no sale transactions in the past five years.

APPENDIX II VALUATION CERTIFICATE – II

Group IV: Property interests held by the Target Group for Owner Occupancy in
Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
The Property consists of eight (8) contiguous office suites occupying part of Level 5 within a 7-storey commercial office building known as Royal Domain Corporate. The Property is located at 370 St. Kilda Road in Melbourne, VIC.	The Property consists of eight (8) contiguous office units totalling 497 square meters of GLA. The Property was originally built in 1965 and subdivided into commercial units in 1999. The Property is in good condition.	Currently, the Property is 100% occupied by the owner/user. Within the market, typical office lease terms are three years. Typically office leases are signed on a Net Basis, with tenants reimbursing a pro rata share of operating expenses.	AUD1,860,000 (AUSTRALIAN DOLLARS – ONE MILLION EIGHT HUNDRED SIXTY THOUSAND) (100% interest attributable to the Target Group: AUD1,860,000)
The Property is located approximately 5 kilometers southeast of the Melbourne CBD.	The Property has seven (7) basement car park spaces and (3) bicycle spaces. Each Office unit, car park space, and bicycle spaces are individually titled.	The Potential Gross Income (PGI) for Year One of the analysis is estimated to be \$213,298 per year. The current annual market rent is \$200 per square meter for office space and \$3,360 per car park space.	

Notes:

- a) The registered owner for the property is Royal Domain Towers Pty Ltd, which is contained in 18 Title Certificates (8 office units, 7 car park spaces, and 3 bicycle park spaces). The ownership interest is summarized as follows
- Lot 501 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 030;
 - Lot 502 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 031;
 - Lot 503 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 032;
 - Lot 504 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 033;
 - Lot 505 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 034;
 - Lot 506 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 035;
 - Lot 507 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 036;
 - Lot 508 on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 037;
 - Lot 7C on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 210; (1 car bay)

- Lot 14C on Plan of Subdivision 419703E, Certificate of Title Volume 10499 Folio 217; (1 car bay)
- Lot 46C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 250; (2 car bays)
- Lot 47C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 251; (1 car bay)
- Lot 58C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 262; (1 car bay)
- Lot 75C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 279; (1 car bay)
- Lot 95C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 301; (1 car bay)
- Lot 109C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 315; (1 bicycle bay)
- Lot 110C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 316; (1 bicycle bay)
- Lot 111C on Plan of Subdivision 419703E, Certificate of Title Volume 10437 Folio 317; (1 bicycle bay)

- b) Although all comprising individual titles, a number of the car parks are associated, and run at law with a number of the office units within the building as per the Owner's Corporation fee schedule. Notably, Unit 504 is attached to 47C, Unit 505 is attached to 14C, Unit 506 is attached to 75C, Unit 507 is attached to 46C and Unit 508 is attached to 58C. These units have been assessed as a single figure. We note that only the Members of Owners Corporation 2 are entitled to use Common Property No. 2 which forms the common driveways within the basement car park.

Covenant T869563R relating to a Deed of Restrictive Covenant, dated 9 September 1995 between Royal Domain Towers Pty Ltd (Covenantor) and Domain Centre Pty Ltd (Covenantee) whereby the Covenantor is the Registered Proprietor of the servient land and Covenantor has agreed with the Covenantee to grant a restrictive covenant over the servient land on the terms and conditions contained in this deed. 'The parties agree that in consideration of the sum of \$1.00 paid by the Covenantee to the Covenantor (which payment is acknowledged by the Covenantor), with the intent that the benefit of this covenant shall be attached to and run at law and in equity with the dominant land and every part of the dominant land and that the burden of this covenant shall be annexed to and run at law and in equity with the servient land and appear as an encumbrance on the title to the servient land, the Covenantor for itself its successors and transferees hereby covenants with the Covenantee and its successors and transferees the registered proprietor or proprietors for the time being of the dominant land and every part of the dominant land that the Covenantor, its successors and transferees shall not build, erect or construct or allow to be built, constructed or erected or allow to remain any such structure or building below any part of the servient land marked E-1, E-2, E-3, E-4, E-5 and E-6 on the annexed plans unless:

That part of such structure or building which is built, erected or constructed below the said part of the servient land is fire rated in accordance with the relevant regulations to at least two hours or where the relevant regulars in force at the time of the building erection or construction, relating to a structure or building being built, erected or constructed on a title boundary specify another fire protection requirement, complies with other requirement and;

Where, as a result of such building, erection or construction, the Covenantee or its successors or transferees is required by any relevant authority to seal any existing openings in the building erected on the dominant land at the date of this deed of Restrictive Covenant, the Covenantor, its successors or transferees shall undertake to pay the reasonable costs and expenses incurred by the Covenantee or its successors or transferees in sealing such openings in the said building.

- c) As confirmed by the Target Group, the individual properties are not encumbered by a loan/mortgage.
- d) As confirmed by the Target Group, Royal Domain Towers Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- e) The ownership interest is Strata (Subdivided Accommodation).
- f) The Property lies within the "Commercial 1" zone under the Melbourne Planning Scheme.
- g) According to the subject Certificaters of Title, there has been no transfer of the subject titles in the past 5 years.

APPENDIX III VALUATION CERTIFICATE – III

Group III: Property interests held by the Target Group for Future Development in Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
<p>The Property is a development site that is located at 244–276 Spencer Street, Melbourne, VIC. The Property is bordered by Spencer Street to the west, Lonsdale Street to the south, Little Lonsdale Street to the north and Merriman Lane to the east.</p> <p>The Property consists of seven (7), titled sites, totaling 11,757.2 square meters. The Property is located within the Melbourne CBD.</p>	<p>The Property consists of seven (7) Certificates of Title totaling 11,757.2 square meters.</p> <p>The Property is approved for four, high density towers ranging in height between 67 and 90 stories. The proposed development will consist of 2,853 residential apartments totalling 151,209 square meters of NSA, 488 hotel units totalling 14,460 square meters of NSA, and 104 retail shoppes totalling 7,785 square meters of NLA.</p> <p>The proposed development includes structured parking garage which will consist of 1,816 car park spaces.</p> <p>Notwithstanding, the current design is changing throughout the planning process.</p> <p>Demolition of the former improvements on the Property commenced in December 2013, with the works contract now completed. Currently, the site is being further excavated and perimeter piling undertaken in readiness for redevelopment.</p> <p>Although not confirmed given the project is still at planning stage, the development is proposed to commence works in April 2016, with the main contractor commencing in August 2016. Stage 1 practical completion is forecast for August 2016.</p>	<p>The Property is currently a development site and vertical construction has not commenced. As of the date of the report, the occupancy rate was 0.00% and there has been no pre-leasing or pre-sales.</p>	<p>AUD124,000,000</p> <p>(AUSTRALIAN DOLLARS – ONE HUNDRED TWENTY FOUR MILLION)</p> <p>(100% interest attributable to the Target Group: AUD124,000,000)</p>

Notes:

- a) The registered owner of the property is May21 Pty Ltd. The Certificates of Title are summarized as follows:

Lot No.	Plan	Volume	Folio	Registered Proprietor	Approx. Area (sqm)
Lots 1, 2, 3, 4 & 5	Title Plan 448106W	8683	095	May21 Pty Ltd	6,582.0
Lot 1	Title Plan 617782N	3543	465	May21 Pty Ltd	1,770.5
Crown Allotment 1	Section 32 City of Melbourne Paraish of Melbourne North.	3197	345	May21 Pty Ltd	1,928.8
Lot 1	Title Plan 445694R	6659	775	May21 Pty Ltd	287.2
Lot 1	Title Plan 250546T	6659	776	May21 Pty Ltd	800.8
Lots 1, 2 & 3	Title Plan 838001N	8715	196	May21 Pty Ltd	331.9
Lot 1	Title Plan 822799A	10705	970	May21 Pty Ltd	56.0
TOTAL					11,757.2

- b) Additional encumbrances noted in the title/ownership search are summarized as follows.

- Certificate of Title Volume 8683 Folio 095:
 - o Easement A-1 affecting the Little Lonsdale frontage of the allotment with the land being a carriageway easement reserved by transfer E251493.
 - o Easement A-2 which forms the southern portion of Merriman Lane. The portion of land is reserved for carriageway, drainage, light and air purposes.
- Certificate of Title Volume 3543 Folio 465:
 - o Easement A-1 affecting the Little Lonsdale frontage of the allotment with the land being a carriageway easement reserved by transfer E251493.
- Certificate of Title Volume 3197 Folio 345:
 - o Nil.
- Certificate of Title Volume 6659 Folio 776:
 - o Easement A-1 affecting the Little Lonsdale frontage of the allotment with the land being a carriageway easement reserved by transfer E251493.
- Certificate of Title Volume 10705 Folio 970:
 - o Nil.
- Certificate of Title Volume 8715 Folio 196:
 - o Nil.
- Certificate of Title Volume 6659 Folio 775:
 - o Easement A-1 affecting the Little Lonsdale frontage of the allotment with the land being a carriageway easement reserved by transfer E251493.

- c) As confirmed by the Target Group, May21 Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- d) The Property lies within the “Capital City 1” zone under the Melbourne Planning Scheme.
- e) The Property consists of seven (7) Certificates of Title. The ownership interest is Freehold.
- f) We have been provided with a copy of Planning Permit No. 2011/013730A, issued by the Minister for Planning, originally dated 24 January 2013 and amended on 1 August 2014. This Permit allows;

“Staged redevelopment of the site including construction of multi-storey mixed-use buildings, use of the land for supermarket and advertising signage in accordance with the master plan and endorsed plans.”

The planning permit contains 51 conditions that must be met prior to works commencing on-site. We have detailed the pertinent permit conditions below:

Condition 1 – Amended Master Plan:

“Prior to the commencement of the development, including demolition, an amended master plan must be submitted to the satisfaction of the Responsible Authority and be approved by the Responsible Authority in consultation with the City of Melbourne. When approved, the Master Plan will be endorsed and will then form part of the permit. The Master Plan must be drawn to scale with dimensions and three copies must be provided. The Master Plan must generally be in accordance with that submitted with the application but modified to show the following:

Revisions to the principles, objectives and criteria outlined at section 2.0 of the Master Plan to the satisfaction of the Responsible Authority;

Greater degree of active uses at the ground floor to Merriman Lane and ‘skinning’ the podium levels 2-9 as depicted in section 3.0 of the Master Plan; and

Weather protection to Spencer Street and Lonsdale Street;

Reduce the width of north south vehicle carriageway to a maximum of 7 metres by moving the eastern alignment of the kerb to the west and corresponding increase in the width of park and landscape plaza areas;

The Master Plan may be amended with the written consent of the Responsible Authority. The overall concept of the development as shown in the Master Plan must not be varied to increase the number of buildings.”

Condition 2 – Legal Agreement:

“Prior to the commencement of development, including demolition, or as otherwise agreed to by the Responsible Authority, the owner of the land must enter into legal agreement(s) under Section 173 of the Planning and Environment Act 1987 to ensure that the overall development of the land is in conformity with the approved, and as modified from time to time, master plan, and provide for a strategy associated with temporary use and/or landscaping of the site in the event that it is left vacant for an extended period of time and provide for other matters. The Owner(s) must pay all of the reasonable costs and expenses of the agreement(s) and are required to be executed as follows:

Be at no cost to the Responsible Authority or the City of Melbourne;

Be registered on the relevant certificate(s) of title to which it affects;

Require that the development of the land be undertaken in conformity with the approved master plan and this planning permit;

The Section 173 Agreement does not end if the permit lapses as some requirements relating to the through site public pedestrian linkage and for the Merriman Lane limited in height and depth footpath widening are on-going;

The widened portion of Merriman Lane including new footpath must be vested in the City of Melbourne as a public highway, limited in height and depth, by way of the Subdivision Act 1988. The upper limit must be at least 6.0m above footpath level and lower limit must be at least 1.5m below footpath level.

The structure supporting the widening must be satisfactory;

Support rights, liability, maintenance and structural inspections relevant to the support structure for the widening;

Liability regarding the upper level building structure above widening;

Upper level building structure above the widening being maintained in a safe and sightly condition.

Given rights of access to the internal service access (pedestrian laneway) to the public and ensure that access is maintained in a safe and sightly condition.

Include timing of construction of either the Merriman Lane widening or the internal service lane to be before the occupation of the relevant abutting building; and

All requirements of the City of Melbourne (Engineering Services) being met regarding the design and physical treatment of the Merriman Lane widening and the internal service lanes, including landscaping, street furniture, lighting and servicing infrastructure; and

Condition 3 – Staging:

“Prior to commencement of the development, including demolition, a Staging Plan must be submitted to and be approved to the satisfaction of the Responsible Authority in consultation with Public Transport Victoria and the City of Melbourne. This Staging Plan must be submitted to and be approved by the Responsible Authority. This Staging Plan must include, but is not limited to, plans and information detailing any public realm works, proposed temporary treatment and use of vacant land. The development must proceed in the order of the stages as shown on the endorsed plan(s), unless otherwise agreed to in writing by the Responsible Authority.”

Condition 4 – Detailed Development Plans

“Prior to the commencement of any stage of the development, excluding demolition, bulk excavation, site preparation, soil removal, site remediation, retention works, footings, ground beams and ground slab and temporary structures amended plans to the satisfaction of the Responsible Authority must be submitted to and be approved by the Responsible Authority. When approved, the plans will be endorsed and will then form part of the permit. The plans must be drawn to scale with dimensions and three copies must be provided. The plans must generally be in accordance with the built form outcomes as shown in the plans submitted with the application and be consistent with the master plan but modified to show the following:

Existing conditions, topography (including levels) and infrastructure provision;

Design details for tower and podium interfaces to the street and internal laneway network including plans, elevations, sections at a scale of 1:200 with detailed façade segments at 1:100 or alternative suitable scale. The drawings must include the location, height, dimensions, title boundaries, Reduced Levels (RLs) to Australian Height Datum (AHD) on all finished floors and elevations, and the parapet of all walls, detailed elevations including activated frontages;

Details of any changes required as a result of any approvals required under The Airports (Protection of Airspace) regulations 1966 (The Regulations) for the development.

All dwellings must be designed to provide direct daylight access to all habitable rooms;

The layout of all car parking and loading/unloading areas showing the arrangement of spaces and access aisles;

Shadow diagrams indicating the shadow of open space areas within the site between 10 am and 2 pm on 22 September;

Details of vehicle and pedestrian access and management of movement;

Any amendments required to incorporate the recommendations of further wind climate assessment reports required in the corresponding condition below;

Facade strategy and materials and finishes as required in the corresponding conditions below;

The requirements of Public Transport Victoria in the corresponding conditions below;

Any design changes as a result of further the ESD reports in the corresponding condition below;

Any design requirements as a result of the Disability Audit in the corresponding condition below;

A scheme for landscaping and planting in connection with the development as required in the corresponding condition below;

Any requirements/recommendations of the traffic report as required in the corresponding conditions below; and

Any changes necessary to comply with the City of Melbourne Waste Guidelines and amended Waste Management Plan in the corresponding condition below."

Condition 6 & 7 – Layout Not Altered and Satisfactory Completion

"The development as shown on the endorsed plans per stage must not be altered without the written consent of the Responsible Authority in consultation with City of Melbourne."

"Once each stage of development has started it must be completed to the satisfaction of the Responsible Authority."

Condition 13 – Environmental Audit

"Prior to the commencement of the development hereby approved, excluding demolition and remediation works necessary to facilitate the audit, the applicant must provide either of the following for the whole of the land:

A Certificate of Environmental Audit in accordance with Section 53Y of the Environment Protection Act 1970; or

A Statement of Environmental Audit under Section 53Z of the Environment Protection Act 1970. This Statement must state that the site is suitable for the intended uses.

Where a Statement of Environmental Audit is provided, all the conditions of the Statement must be complied with to the satisfaction of the Responsible authority prior to the occupation of the first stage of development. Written confirmation of compliance must be provided by either an EPA appointed Environmental Auditor or a suitably qualified environmental professional who is a member of the Australian Contaminated Land Consultants Associated or other person acceptable to the Responsible Authority. In addition, sign off must be in accordance with any requirements in the Statement conditions regarding verification of required works.

If there are any conditions of a Statement of Environmental Audit that the Responsible Authority consider require a significant ongoing maintenance and/or monitoring, the applicant must enter into a Section 173 Agreement under the Planning and Environment Act 1987. This Agreement must be executed on title prior to the occupation of the first stage of development. The applicant must meet all costs associated with the drafting and execution of the Agreement including those incurred by the Responsible Authority."

Condition 47 & 48 – Projections

“Prior to the commencement of development, excluding demolition, bulk excavation, site preparation, soil removal, site remediation, retention works, footings, ground beams and ground slab and temporary structures, a detailed plan showing the proposed drainage, incorporating water sensitive urban design, within the development and make provision to connect this system to Council’s stormwater drainage system, must be submitted to and approved by City of Melbourne (Engineering Services).”

“The minimum clearance to the underside of any projection over the footpath surface in Spencer, Lonsdale and Little Lonsdale Streets must be a minimum of 3.0 metres and offset 750mm from the adjacent face of kerb and to Merriman Lane and to the internal rad must be a minimum of 5.0 metres from the road surface.”

Condition 50 – 3D Model

“Prior to the commencement of each stage of the development excluding any site preparation works, or otherwise agreed with the Responsible Authority, a 3D digital model of the development and its immediate surrounds, as appropriate, must be submitted to the Responsible Authority and be to the satisfaction of the Responsible Authority in conformity with the Department of Planning and community Development Advisory Note 3D Digital Modelling.

In the event that substantial modifications are made to the building envelope a revised 3D digital model must be submitted to and be to the satisfaction of the Responsible Authority.”

Condition 50 – Advertising Signage

“Prior to the display of any signage, other than branding and signage associated with construction, a signage strategy is to be submitted to the satisfaction of and be approved by the Responsible Authority in consultation with the City of Melbourne. Details of construction phase’s signage and branding such as hoarding treatments must be submitted to the satisfaction of the Responsible Authority in consultation with the City of Melbourne. The signage strategy should include the location and dimensions of proposed signs and structures, their definition category, type of illumination, colours and materials. The signage strategy may be amended to the satisfaction of the Responsible Authority.”

Condition 52 – Time Limit

Expiry of Permit:

“In accordance with section 68 of the Planning and Environment Act 1987, this permit will expire if one of the following circumstances applies:

The development is not started within four (4) years of the date of this permit.

The development is not completed within twelve (12) years of the date of this permit. The signage is not erected within twelve (12) years of the date of the permit.

The Responsible Authority may extend the permit if a request is made in writing before the permit expires, or within six months afterwards. The Responsible Authority may extend the time for completion of the development if a request is made in writing within 12 months after the permit expires and the development started lawfully before the permit expired.”

- g) The most recent sale occurred between ISPT No 3 (Spencer St) Pty Ltd (Vendor) and May21 Pty Ltd (Purchaser), on 14 June 2013. The purchase price was AUD75,000,000 (excl. GST). The sale required a deposit of AUD30 million plus a settlement payment, due in April 2014, of AUD45 million. To the best of our knowledge, there have been no other sales in the past five years.

CBRE highlight that there is a significant difference between the purchase price of \$75,000,000 and the current assessed market value of \$124,000,000. This difference equates to an uplift over the 24 month period of \$49,000,000 (65%). We attribute the uplift in value to the following factors:

- **Timing & Market Movement:** The property was purchased in June 2013, whereby both the development site market and off-the-plan apartment market was slowly recovering from a relatively stagnant period throughout 2011 and 2012. The second half of 2013 experienced a significant amount of development site transaction activity coupled with increasing confidence in the off-the-plan apartment market. This momentum led to significant growth in land values and transactional activity throughout 2013, with average \$ per sqm rates for development sites within the CBD grid rising from approximately \$11,000 per sqm of land area throughout 2013 to \$17,750 per sqm of land area in 2014, with transactions throughout 2013 and 2014 totalling approximately \$1,000,000,000.
- **Costs Spent to Date:** As discussed within this report, the instructing party has incurred \$5,911,086 in costs in order to deliver a cleared/vacant development site, which included demolition, removal of asbestos, removal of Underground Storage Tanks and remediation of contaminated soils. Further to this, the instructing party has also undertaken significant excavation and permitter piling on the site, with the Contract Works for this component totalling an additional \$3,665,000.
- **Environmental Conditions:** Following the above comments, all preliminary works on site have been completed and a Statement of Environmental Audit (SEA) will be issued in the short term. This SEA mitigates significant redevelopment environmental risk from a timing and cost perspective.
- **Amended Permit:** The original Planning Permit included a scheme that comprised 6 apartment towers and approximately 3,000 residential apartments, which CBRE considered to be somewhat inefficient. Although the 6 tower proposal represents a significant high density proposition, the orientation of the towers have an adverse affect on the aspect achieved from each tower, with the majority of the proposed apartment buildings having compromised aspect to at least 2 of the 4 orientations with the setback's from each tower ranging from only 10 to 12 metres. The revised permit that was obtained in August 2014 incorporates only 4 major towers, that we consider to be more appropriately positioned across the overall site that will allow far fewer apartments aspect to be obstructed by other towers within the complex.

The positive sentiment within the development market over the past 24 months in particular, CBRE are satisfied that the assessed value of \$124,000,000 represents the Current Market Value.

- h) The Property is encumbered by a mortgage under Mortgage Registration AL090507P, dated 19 May 2014 noting ANZ Fiduciary Services Pty Ltd as the mortgagee. This has been confirmed by the Target Group.

APPENDIX IV VALUATION CERTIFICATE – IV

Group II: Property interests held by the Target Group for Sale in Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
The Property is known as “Manhattan” at Upper West Side and is located at 639 Lonsdale Street in Melbourne, VIC.	The Property consists of four (4) Certificates of Title totaling 2,198 square meters. The Property is approved for one, high density tower with 53 stories. The proposed development will consist of 641 residential apartments totalling 41,729.1 square meters of NSA and 11 retail shoppes totalling 958.2 square meters of NLA.	The Property is currently under construction. As of the date of the report, 635 residential apartments and 141 car park spaces have been pre-sold.	AUD100,000,000 (AUSTRALIAN DOLLARS – ONE HUNDRED MILLION) (100% interest attributable to the Target Group: AUD100,000,000)
The Property has frontage to Lonsdale Street and the proposed Rose Lane and commences approximately 85 metres east of the corner of Spencer Street and Lonsdale Street. The Property is located near the Melbourne CBD.	The Property includes a basement & structured parking garage which will consist of 245 car park spaces.		
The Property consists of four (4) Certificates of Title, which are currently undergoing a realignment and consolidation into a single title.	Vertical construction commenced in November 2014 underway and is expected to be complete in Q4 2016. The total construction budget is AUD237 million. As of the date of value, more than half of the construction budget has been spent and the estimated cost to complete is AUD131 million.		

Notes:

- a) The registered owner of the property is Far East Consortium (Australia) Pty Ltd. The Certificates of Title are summarized as follows:
- The Stage 4 property is substantially contained with Certificate of Title Volume 11404 Folio 406, more particularly described as Lot S6 on Plan of Subdivision No. 633275D.
- The above Lot is the title that generally holds the majority of the subject property within it. However, this lot is to be subdivided, with part of Lot S6 (over Rose Lane) going to the site to the west of the subject, to be known as The Fifth, then other parts that currently form part of Tower 4 and Tower 2 (see below) which will all combine to form Proposed Lots S7, S31 and S51 on Plan of Subdivision 633275D. It is the consolidation of these lots that forms to combine to make the accurate subject property.
- A minority part of Stage 4 is contained with Certificate of Title Volume 11479 Folio 872, more particularly described as Lot S31 on Plan of Subdivision No. 633275D.
 - A minority part of Stage 4 is contained with Certificate of Title Volume 11404 Folio 409, more particularly described as Lot S5 on Plan of Subdivision No. 633275D.
 - A minority part of Stage 4 is contained with Certificate of Title Volume 11479 Folio 873, more particularly described as Lot S32 on Plan of Subdivision No. 633275D.
- b) Additional encumbrances noted in the title/ownership search are summarized as follows.
- Covenant Registration PS633275D dated, 14 February 2013, referring to the registration of the Plan of Subdivision.
 - Agreement registration AK060999R, dated 4 December 2012, between Far East Consortium (Australia) Pty Ltd (Owner) and Melbourne City Council (Council). The agreement relates to the payment of a Public Open Space Contribution and covenants the Owner to pay the Contribution to the Council throughout the various stages of the development. The Contribution will be calculated in four parts, each of 1.125% of the entire area of the Land, whereby the third contribution is payable by the earlier of issue of a Statement of Compliance for the first substantive plan of subdivision of land in Lot S6, or 1 March 2015.
 - The property is also subject to an agreement under Section 173 of the Planning and Environment Act 1987, registration AJ708511D, dated 5 June 2012.
- c) The Property is encumbered by a mortgage under Mortgage registration AK865544X, dated 29 January 2014, noting ANZ Fiduciary Services Pty Ltd as the Mortgagee.
- d) As informed by the Target Group, Far East Consortium (Australia) Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- e) The Property lies within the "Capital City 1" zone under the Melbourne Planning Scheme.
- f) The Property consists of four (4) Certificates of Title. The ownership interest is Freehold.
- g) We have been provided with a copy of Planning Permit No. 2009/003366, issued by the City of Melbourne, originally dated 7 September 2010. This original permit has been amended on various occasions, with the latest endorsed plans for the subject stage dated 15 July 2013.

This Permit allows;

"To partially demolish the existing buildings and construct four multi-storey buildings comprising residential apartments and ground floor retail premises (other than Adult sex bookshop, department store, hotel, supermarket and tavern)."

The permit applies to the overall "Upper West Side" development, with each stage required to submit plans that are generally in accordance with the currently endorsed plans. Any amendments to the plans must be to the satisfaction of the Responsible Authority.

Given that construction on site for stages 1 and 2 are completed and stage 3 is well under Construction, many of the Planning Permit conditions have been satisfied. Notwithstanding, we highlight the pertinent conditions below:

3. Layout Not Altered

The development as shown on the endorsed plans must not be altered without written consent of the Responsible Authority.

4–10. Construction Consultants

Prior to the commencement of construction the following engineer reports, management plans and consultancy advice must be provided to the Responsible Authority in regard to the following:

- Heritage;
- Wind Climate Assessment;
- Construction Management Plan
- Façade details and strategy;
- Materials and Finishes;
- Environmentally Sustainable Design report.

11. Environmental Audit

Prior to the commencement of buildings and works associated with the use (or the certification or issue of a statement of compliance under the Subdivision Act 1988), the applicant must provide:

- a) *A Certificate of Environmental Audit in accordance with Section 52Y of the Environment Protection Act 1970; or*
- b) *A Statement of Environmental Audit under Section 53Z of the Environment Protection Act 1970. A Statement must state that the site is suitable for the use and development allowed by this permit.*

Where a Statement of Environmental Audit is provided, all the conditions of the Statement of Environmental Audit must be complied with to the satisfaction of the responsible authority, prior to the commencement of use of the site. Written confirmation of compliance must be provided by a suitably qualified environmental professional or other suitably qualified person acceptable to the responsible authority. In addition, sign off must be in accordance with the requirements in the Statement conditions regarding verification of works.

If there are conditions on a Statement of Environmental Audit that the responsible authority consider require significant ongoing maintenance and/or monitoring, the applicant must enter a Section 173 Agreement under the Planning and Environment Act 1987. The Agreement must be executed on title prior to the commencement of the use; and prior to the issue of a Statement of Compliance under the Subdivision Act 1987. The applicant must meet all costs associated with drafting and execution of the Agreement, including those incurred by the responsible authority.

We highlight that a Statement of Environmental Audit has been obtained over the entire Upper West Side precinct.

18. Noise Attenuation

Prior to the occupation of the dwelling, noise attenuation measures designed by a recognised acoustic consultant must be included to ensure that the maximum noise level does not exceed 45dB in habitable rooms with windows closed when music noise is emitted from the stadium in the Docklands Area, to the satisfaction of the Responsible Authority. If the development is within 400 metres of the centre point of the stadium, the building must be fitted with ducted air-conditioning. The recommendations contained in the acoustic report must be implemented, at no cost to the Responsible Authority.

32–37. Car Parking, Loading Bays & Bicycle Facilities

The area(s) set aside for car parking in the building must be restricted to the parking of vehicles by owners and occupiers of, or visitors to the building.

Access to the car park, excluding car parking spaces, must be designed to be safe, convenient and non-discriminatory for people with disabilities.

Signalisation of the Lonsdale Street exit (including bus U-turns, left-in/left-out/right-in/right-out only & continuous footpath) is subject to approval from VicRoads, the bus operators and detailed design is to be to the satisfaction of the City of Melbourne (Engineering Services).

All mechanical exhaust systems to the car park hereby approved must be sound attenuated to prevent noise nuisance to the occupants of the surrounding properties, to the satisfaction of the Responsible Authority.

The loading and unloading of vehicles and delivery of goods to and from the premises must at all times take place within the boundaries of the site.

Provision must be made for a minimum of 778 secure bicycle parking spaces to be located within the site to the satisfaction of the Responsible Authority.

46. Expiry of Permit

In accordance with Section 68 of the Planning and Environment Act 1987, this permit will expire if one of the following circumstances applies:

- The development is not started within two (2) years of the date of this permit.*
- The development is not completed within six (6) years of the date of this permit.*

In accordance with section 69 of the Planning and Environment Act 1987, the responsible authority may extend the periods referred to if a request is made in writing before the permit expires, or within three months afterwards.

- h) To the best of our knowledge, there have been no other sales of the overall property in the past five years.

APPENDIX V VALUATION CERTIFICATE – V

Group II: Property interests held by the Target Group for Sale in Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
The Property is known as "Midtown" at Upper West Side (Stage 3), 610 Little Bourke Street in Melbourne, VIC.	The Property consists of one (1) Certificate of Title totalling 1,095 square meters. The Property is approved for one, high density tower with 31 stories. The proposed development will consist of 282 residential apartments totalling 17,794.2 square meters of NSA and 6 retail shoppes totalling 465.4 square meters of NLA.	The Property is currently under construction. As of the date of the report, 281 residential apartments and 41 car park spaces have been pre-sold.	AUD82,000,000 (AUSTRALIAN DOLLARS – EIGHTY TWO MILLION) (100% interest attributable to the Target Group: AUD82,000,000)
The Property has frontage on Little Bourke Street and the proposed Rose Alley and commences approximately 47 metres east of the corner of Spencer Street and Little Bourke Street.	The Property includes a basement & structured parking garage which will consist of 83 car park spaces.		
The Property represents Stage 3 of a 4 stage development known as "Upper West Side", a major mixed use development that will comprise 4 stages across the overall site which commences at Spencer Street and has additional main frontages to Lonsdale and Little Bourke Street.	Vertical construction commenced in July 2014 and is expected to be completed in September 2016. The total construction budget is AUD105.5 million. As of the date of value, the estimated cost to complete is AUD7.1 million.		
The Property is located near the Melbourne CBD.			
The Property consists of one (1) Certificates of Title.			

Notes:

- a) The registered owner of the property is Far East Consortium (Australia) Pty Ltd, Title Certificate PS633275D, dated 14 February 2013.
- b) The Property is encumbered by a mortgage under Mortgage registration AK865544X, dated 29 January 2014, noting ANZ Fiduciary Services Pty Ltd as the Mortgagee.
- c) As informed by the Target Group, Far East Consortium (Australia) Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- d) The Property lies within the "Capital City 1" zone under the Melbourne Planning Scheme.
- e) The Property consists of one (1) Certificate of Title. The Stage 3 property is contained with Certificate of Title Volume 11404 Folio 409, more particularly described as Lot S5 on Plan of Subdivision No. 633275D.
- f) The ownership interest is Freehold.
- g) We have been provided with a copy of Planning Permit No. 2009/003366, issued by the City of Melbourne, originally dated 7 September 2010. This Permit allows:

"To partially demolish the existing buildings and construct four multi-storey buildings comprising residential apartments and ground floor retail premises (other than Adult sex bookshop, department store, hotel, supermarket and tavern)."

The permit applies to the overall "Upper West Side" development, with each stage required to submit plans that are generally in accordance with the currently endorsed plans. Any amendments to the plans must be to the satisfaction of the Responsible Authority.

Given that construction on site has commenced on all stages of the Upper West Side development, many of the Planning Permit conditions have been satisfied. Notwithstanding, we highlight the pertinent conditions below:

3. *Layout Not Altered*

The development as shown on the endorsed plans must not be altered without written consent of the Responsible Authority.

4-10. *Construction Consultants*

Prior to the commencement of construction the following engineer reports, management plans and consultancy advice must be provided to the Responsible Authority in regard to the following:

- *Heritage;*
- *Wind Climate Assessment;*
- *Construction Management Plan;*
- *Façade details and strategy;*
- *Materials and Finishes;*
- *Environmentally Sustainable Design report.*

11. *Environmental Audit*

Prior to the commencement of buildings and works associated with the use (or the certification or issue of a statement of compliance under the Subdivision Act 1988), the applicant must provide:

- a) A Certificate of Environmental Audit in accordance with Section 52Y of the Environment Protection Act 1970; or*
- b) A Statement of Environmental Audit under Section 53Z of the Environment Protection Act 1970. A Statement must state that the site is suitable for the use and development allowed by this permit.*

Where a Statement of Environmental Audit is provided, all the conditions of the Statement of Environmental Audit must be complied with to the satisfaction of the responsible authority, prior to the commencement of use of the site. Written confirmation of compliance must be provided by a suitably qualified environmental professional or other suitably qualified person acceptable to the responsible authority. In addition, sign off must be in accordance with the requirements in the Statement conditions regarding verification of works.

If there are conditions on a Statement of Environmental Audit that the responsible authority consider require significant ongoing maintenance and/or monitoring, the applicant must enter a Section 173 Agreement under the Planning and Environment Act 1987. The Agreement must be executed on title prior to the commencement of the use; and prior to the issue of a Statement of Compliance under the Subdivision Act 1987. The applicant must meet all costs associated with drafting and execution of the Agreement, including those incurred by the responsible authority.

We highlight that a Statement of Environmental Audit has been obtained over the entire Upper West Side precinct.

18. *Noise Attenuation*

Prior to the occupation of the dwelling, noise attenuation measures designed by a recognised acoustic consultant must be included to ensure that the maximum noise level does not exceed 45dB in habitable rooms with windows closed when music noise is emitted from the stadium in the Docklands Area, to the satisfaction of the Responsible Authority. If the development is within 400 metres of the centre point of the stadium, the building must be fitted with ducted air-conditioning. The recommendations contained in the acoustic report must be implemented, at no cost to the Responsible Authority.

32–37. *Car Parking, Loading Bays & Bicycle Facilities*

The area(s) set aside for car parking in the building must be restricted to the parking of vehicles by owners and occupiers of, or visitors to the building.

Access to the car park, excluding car parking spaces, must be designed to be safe, convenient and non-discriminatory for people with disabilities.

Signalisation of the Lonsdale Street exit (including bus U-turns, left-in/left-out/right-in/right-out only & continuous footpath) is subject to approval from VicRoads, the bus operators and detailed design is to be to the satisfaction of the City of Melbourne (Engineering Services).

All mechanical exhaust systems to the car park hereby approved must be sound attenuated to prevent noise nuisance to the occupants of the surrounding properties, to the satisfaction of the Responsible Authority.

The loading and unloading of vehicles and delivery of goods to and from the premises must at all times take place within the boundaries of the site.

Provision must be made for a minimum of 778 secure bicycle parking spaces to be located within the site to the satisfaction of the Responsible Authority.

46. *Expiry of Permit*

In accordance with Section 68 of the Planning and Environment Act 1987, this permit will expire if one of the following circumstances applies:

- *The development is not started within two (2) years of the date of this permit.*
- *The development is not completed within six (6) years of the date of this permit.*

In accordance with section 69 of the Planning and Environment Act 1987, the responsible authority may extend the periods referred to if a request is made in writing before the permit expires, or within three months afterwards.

Following on from the above, the proposed development is scheduled for Practical Completion (as per QS advice) on 18 September 2015, which falls approximately 12 months prior to the permit expiry date.

This valuation report assumes that all Conditions have been met to date and will continue to be adhered to throughout and post construction.

- h) To the best of our knowledge, there have been no other sales of the overall property in the past five years.

APPENDIX VI VALUATION CERTIFICATE – VI

Group III: Property interests held by the Target Group for Future Development in Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
<p>The Property is known as “The Fifth” and is located at 605 Lonsdale Street, in Melbourne VIC. The Property is located on the southern side of Lonsdale Street, approximately 100 metres west of King Street.</p> <p>The Property consists of one (1), titled site, totalling 1,072.4 square meters. The Property is located near the Upper West Side development project and near the Melbourne CBD.</p> <p>As per the endorsed plans, the subject development includes a portion of the land known as Lot S6 on Plan of Subdivision 633275D contained within Certificate of Title Volume 11404 Folio 406. Lot S6 forms part of the adjoining property, being Upper West Side, more particular the portion of land located on the eastern side of Rose Lane, being approximately 413.4 sqm in area.</p> <p>Therefore the proposed reconfigured site area would equate to 1,458 sqm.</p>	<p>The Property consists of one (1) Certificates of Title totalling 1,458 square meters.</p> <p>The Property is approved for a 50 story building that includes ground level retail shops and residential uses. The proposed development will consist of 402 apartments totalling 26,051 square meters of NSA and 5 retail shoppes totalling 298 square meters of NLA.</p> <p>The proposed development includes a structured parking garage which will consist of 206 car park spaces.</p> <p>The Property is currently improved with various old buildings that are currently being demolished. The demolition cost is expected to be nominal and is included in the construction budget. The total construction budget is AUD177.1 million (excluding land).</p> <p>Construction (demolition and excavation) commenced in May 2015, with particular completion of the development anticipated for November 2017.</p>	<p>The Property is currently a proposed development site and vertical construction has not commenced.</p> <p>As of the date of the report, 327 residential units and 89 car park spaces have been pre-sold.</p>	<p>AUD25,000,000</p> <p>(AUSTRALIAN DOLLARS – TWENTY FIVE MILLION)</p> <p>(100% interest attributable to the Target Group: AUD25,000,000)</p>

Notes:

- a) The registered owner of the property is UWS 5 Pty Ltd. The Real Property description is Lots 1 Title Plan 807845G, more particularly contained within Certificate of Title Volume 01726 Folio 024.
- b) Additional encumbrances noted in the title/ownership search are summarized as follows.
- Transfer of Land registration AK440696T, dated 15 May 2013 between Citywide Service Solutions Pty Ltd (Transferor) and UWS 5 Pty Ltd (Transferee) for the consideration of \$10,000,000.
 - Caveat Registration AL821363R dated 13 April 2015 noting Citypower Pty as the Caveator. The Caveator claims in interest in the land as grantee under an Agreement for Lease. The Caveats relates to a proposed sub-station that will be constructed as part of the redevelopment.
- c) As confirmed by the Target Group, UWS 5 Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- d) The Property lies within the "Capital City 1" zone under the Melbourne Planning Scheme.
- e) The Property consists of one (1) Certificate of Title. The ownership interest is Freehold. As per the endorsed plans, the subject development includes a portion of the land known as Lot S6 on Plan of Subdivision 633275D contained within Certificate of Title Volume 11404 Folio 406. Lot S6 forms part of the adjoining property, being Upper West Side, more particular the portion of land located on the eastern side of Rose Lane, being approximately 413.4 sqm in area. Therefore the proposed reconfigured site area would equate to 1,458 sqm.
- f) As confirmed by the Target Group, the individual properties are not encumbered by a loan/mortgage. Notwithstanding this, construction finance (registered mortgage) will be sought for in the short term.
- g) We have been provided with Planning Permit 2014/000409, issued by the City of Melbourne, dated 1 September 2014. This Permit allows:

"Demolition of the existing building, construction of a multi-storey building comprising of dwellings and retail premises (other than adult sex bookshop, department store, hotel and tavern"

The Planning Permit contains 47 conditions that must be complied with. A summary of the pertinent conditions of the Planning Permit are detailed below:

Condition 1 Amended Plans:

"Before the development starts, including demolition and bulk excavation, amended plans must be submitted to and be approved by the Responsible Authority. When approved, the plans will be endorsed and will then form part of the permit. The plans must be drawn to scale with dimensions and three copies must be provided. The plans must generally be in accordance with the plans received on 30 January 2014 and 9 May 2014 submitted with the application but modified to show the following:

Details of the treatment of the western boundary wall within the car parking entrance of Lonsdale Street to provide visual interest;

The doors to the booster cabinet to Lonsdale Street not to project more than 600mm beyond the street alignment when fully open;

Modifications to the canopy to Lonsdale Street and Rose Lane to ensure compliance with Council's Road Encroachment Guidelines including minimum clearance to the underside of the structure and offset from the face of the kerb;

Screening to the podium apartment bedrooms to Rose Lane;

An alternative car park screen to the south and west elevations to provide a greater degree of visual interest and to ensure direct views into the car parking area is limited;

Any modifications to plans as required by the Wind Assessment in the corresponding condition below;

Any modifications to plans as required by the Water Sensitive Urban Design Response referred to in corresponding condition below;

Any modifications to plans as required by the Traffic and Loading Management Reports referred to in the corresponding condition below; and

Any modifications to plans as required by the Waste Management Plan referred to in the corresponding condition below."

Condition 2 Layout Not Altered:

"The development as shown on the endorsed plans must not be altered without the written consent of the Responsible Authority."

We have been provided with a copy of the Council Endorsed Plans, dated 26 March 2015.

Condition 3 Demolition:

"Demolition must not commence unless the Responsible Authority is satisfied that the permit holder has made substantial progress towards obtaining the necessary building permits for the development of the land generally in accordance with the development proposed under this permit and the permit holder has entered into a bona fide contract for the construction of the development, or otherwise as agreed with the Responsible Authority."

Condition 13 Environmental Assessment:

"Before the development starts, excluding demolition and bulk excavation, the applicant must undertake an environmental assessment of the site to determine if it is suitable for its use. This assessment must be carried out by a suitably qualified environmental professional who is acceptable to the Responsible Authority. The recommendations of this assessment, if any, must be implemented prior to the occupation of the building to the satisfaction of the Responsible Authority.

Should this assessment reveal that an Environmental Audit of the site is necessary then prior to the occupation of the building the applicant must provide either:

A Certificate of Environmental Audit in accordance with Section 53Y of the Environment Protection Act 1970; or

A Statement of Environmental Audit under Section 53Z of the Environment Protection Act 1970. This Statement must state that the site is suitable for the intended uses.

Where a Statement of Environmental Audit is provided, all the conditions of the Statement must be complied with to the satisfaction of the Responsible Authority prior to the occupation of the building. Written confirmation of compliance must be provided by a suitable qualified environmental professional or other suitable person acceptable to the Responsible Authority. In addition, sign off must be in accordance with any requirements in the Statement conditions regarding verification of required works.

If there are any conditions of a Statement of Environmental Audit that the Responsible Authority consider require a significant ongoing maintenance and/or monitoring, the applicant must enter into a Section 173 Agreement under the Planning and Environment Act 1987. The applicant must meet all costs associated with the drafting and execution of the Agreement including those incurred by the Responsible Authority."

We have been provided with professional advice prepared by Senversa, that concludes "the site is considered suitable for the proposed commercial (below and on-ground)/residential (from the first floor up) land use as shown in the proposed developed plans (Appendix A) and a statutory environmental audit is not considered to be required to be undertaken."

Condition 15 Title:

"Before the development starts, excluding demolition and bulk excavation, all of the land for the proposed development must be consolidated onto the one title."

Condition 16 Title:

"Before the development starts, excluding demolition and bulk excavation, the owner of the land must enter into an agreement pursuant to Section 173 of the Planning and Environment Act 1987 in relation to the structure under Rose Lane. The agreement must provide the following:

The support of the road and maintenance of any support structures. This agreement is to indemnify the City of Melbourne against any claims on the matter. The agreement must also contain such other conditions as may be required by the City of Melbourne's Manager Engineering Services and Chief Legal Counsel.

The owner of the land must pay all of the City of Melbourne's reasonable legal costs and expenses of this agreement, including preparation, execution and registration on title."

Condition 17 Title:

"Before the development starts, excluding demolition and bulk excavation, that part of Pender Alley which is a Private Lane, south of the subject site must be declared a Public Highway."

Condition 18 Title:

"Before the development starts, the legal process for the closure of Rose Lane to vehicular traffic must be completed."

Condition 19 Title:

"The title boundaries for the property may not exactly agree with the road alignments of the abutting Council lanes. The approved works must not result in structures that encroach onto any Council lane."

Condition 45 3D Model:

"Before the development starts, excluding demolition and bulk excavation, or as otherwise agreed with the Responsible Authority a 3D digital model of the development and its immediate surrounds, as appropriate, must be submitted to the Responsible Authority and be to the satisfaction of the Responsible Authority in conformity with the Department Transport, Planning and Local Infrastructure Advisory Note 3D Digital Modelling."

Condition 46 No Advertising Displayed on Building:

"No advertising signs shall be erected, painted or displayed on the land without the permission of the Responsible Authority unless in accordance with the provisions of the Melbourne Planning Scheme."

Condition 47 Expiry of Permit:

“In accordance with section 68 of the Planning and Environment Act 1987, this permit will expire is one of the following circumstances applies:

The development is not started within three years of the date of this permit.

The development is not completed within five years of the date of this permit.”

The Responsible Authority may extend the permit if a request is made in writing before the permit expires, or within six months afterwards. The Responsible Authority may extend the time for completion of the development if a request is made in writing within 12 months after the permit expires and the development started lawfully before the permit expired.

- h) The most recent sale was between Citywide Service Solutions Pty Ltd (vendor) and UWS 5 Pty Ltd (purchaser). The sale price was AUD10,000,000 and the transaction date was 15 April 2013. The sell required a 10% deposit with the balance payable on 15 May 2013. To the best of our knowledge, there have not been any other sales in the past five years.

CBRE highlight that there is a significant difference between the purchase price of \$10,000,000 and the current assessed market value of \$25,000,000. This difference equates to an uplift over the 24 month period of \$15,000,000 (150%). We attribute the uplift in value to the following factors:

- **Timing & Market Movement:** The property was purchased in April 2013, whereby both the development site market and off-the-plan apartment market was slowly recovering from a relatively stagnant period throughout 2011 and 2012. The second half of 2013 experienced a significant amount of development site transaction activity coupled with increasing confidence in the off-the-plan apartment market. This momentum led to significant growth in land values and transactional activity throughout 2013, with average \$per sqm rates for development sites within the CBD grid rising from approximately \$11,000 per sqm of land area throughout 2013 to \$17,750 per sqm of land area in 2014, with transactions throughout 2013 and 2014 totalling approximately \$1,000,000,000.
- **Permit Obtained:** The Purchaser obtained a planning permit for a high density development over 50 levels incorporating 407 units. The planning permit is considered to have mitigated significant planning risk for the subject property.
- **Feasible Development:** As detailed previously, the subject development represents a feasible development that is relatively ‘de-risked’, with over 75.6% of the project pre-sold, construction/early works commenced and long sunset dates for the pre-sale contracts.

APPENDIX VII VALUATION CERTIFICATE – VII

Group III: Property interests held by the Target Group for Future Development in Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
The Property is known as "Elizabeth Quay – Proposed Lots 9 & 10" located on Draft Deposited Plan 401000 in Perth, WA.	The Property consists of two (2) proposed lots totaling 6,823 square meters.	The Property is currently a proposed development site and vertical construction has not commenced.	AUD25,000,000
The Property is bound by William Street to the west and Barrack Street to the east, Elizabeth Quay is connected to and forms an extension of the north – south corridor that accommodates the main retail and commercial, transport, cultural and education precincts of the city.	The proposed development consists of a 204 room Ritz – Carlton hotel, 379 residential or serviced apartments, and several ground floor retail units.	As of the date of the report, 221 residential units have signed expressions of interest (EOI's).	(AUSTRALIAN DOLLARS – TWENTY FIVE MILLION)
Upon completion of the site, the Property will consist of two (2) lots. Certificates of Title are expected to be issued in 2016, when sitework is complete according to the Draft Deposited Plan.	The proposed development includes a basement parking garage which will consist of 507 car park spaces and 99 motorcycle spaces.		(100% interest attributable to the Target Group: AUD25,000,000)
	Creation of the land lots is currently in progress with completion expected late 2015/early 2016.		

Notes:

- a) The current registered owner of the Property is MRA (Metropolitan Redevelopment Authority). Upon completion of the sale, the registered owner of the Property will be Perth FEC Pty Ltd. The Certificate of Title has not been issued as yet. The title is expected to be issued when construction of the lots is complete, which is likely to be during 2016.
- b) As informed by the Target Group, Perth FEC Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- c) The Property lies within the "Elizabeth Quay Master Plan Design Guidelines" as administered by the MRA.

- d) Upon completion, the Property will consist of two (2) Certificates of Title. The ownership interest will be Freehold.
- e) The Property is not encumbered by a mortgage.
- f) The current development applications are summarized as follows:
- i. A Development Application has been lodged with the MRA for a 204 room (six star) hotel, 379 apartments (including 38 affordable units) and various café/restaurants, offices, 527 car bays, 99 scooter/motorcycle bays, 353 bicycle bays and associated amenities.
 - ii. The MRA are expected to respond to the application by late July, early August 2015.
 - iii. The Development Application for the proposed development will be processed by the MRA and granted approval subject to the design guidelines being met. The process is in line with the Project Development Agreement.
- g) We have been provided with a conditional Project Development Agreement for Lots 9 & 10 Elizabeth Quay, between Metropolitan Redevelopment Authority (MRA), Perth FEC Pty Ltd (Developer) and Far East Consortium International Limited (Guarantor). MRA has agreed to sell the property to the Developer and the Developer has agreed to purchase the property subject to various conditions including a condition that the Guarantor guarantees the performance by the Developer of the Developer's covenants. The property in the Agreement is defined as "Lots 9 & 10 as shown on the draft Deposited Plan No. 401000. The purchase price for the property is stated as \$25,000,000 excluding GST and the MRA's share of Gross Sale Revenue calculated under the Overage Payment mechanism in clause 44.1 plus GST. To the best of our knowledge, there have been no other sales in the past five years.
- h) Our valuation relates to the plan contained within Annexure C of the Project Development Agreement, namely Draft Deposited Plan 401000 and assumes that Lots 9 & 10 will be created in line with that plan and issued with a title/s.

A special condition within the contract requires the developer to achieve 67.7% pre-sales prior to 31 December 2015. Due to the site not having been created as yet the presales are recorded as 'expressions of interest' (EOI) with small deposits having been received. The EOI's are unable to be converted to actual presales until such time as the Development Application has been approved by the MRA. A summary of the EOI's provided to us shows:

- Lot 9-51 apartments of a total of 104 apartments are qualified holds.
- Lot 10-170 apartments of a total 237 apartments (excluding affordable housing) are qualified holds.
- The total EOI's equate to approximately 65% of the available product.
- The subject site is situated approximately 100 metres from the Swan River foreshore and therefore ground level lies at sea level. The design guidelines dictate that parking and services are to be located at basement level, below road grade. The Development Application that has been submitted to the MRA discloses that the complex will contain 3 basement levels. We are advised that this will entail the construction of a subterranean diaphragm wall along the entire boundary of the site to allow for the basement levels and the construction of the towers.

APPENDIX VIII VALUATION CERTIFICATE – VIII

Group IV: Property interests held by the Target Group for Owner Occupancy in
Australia

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
<p>The property comprises 10 subdivided lots within the Royal Domain Plaza Apartments complex, that was originally constructed in 1975 and refurbished in 1989, with the building reconstructed into apartment, car parking and retail in 2001. The individual lots comprise 8 single secure car parking spaces and 2 lots that are currently used for storage. The Property is located at 360 St. Kilda Road in Melbourne, VIC.</p> <p>The Property is located approximately 5 kilometers southeast of the Melbourne CBD.</p>	<p>The Property consists of ten (10) lots, being 8 single car spaces and 2 storage lots.</p> <p>All of the subject lots are currently vacant.</p>	<p>Currently, the Property is 100% occupied by the owner/user.</p> <p>Within the market, typical lease terms are on a casual (month-to-month) gross basis.</p> <p>The Potential Gross Income (PGI) for Year One of the analysis is estimated to be \$20,400 per year.</p> <p>The current annual market rent is \$200 per car space per calendar month for the car spaces and \$1,200 per annum for the storage lots.</p>	<p>AUD218,000</p> <p>(AUSTRALIAN DOLLARS – TWO HUNDRED EIGHTEEN THOUSAND)</p> <p>(100% interest attributable to the Target Group: AUD218,000)</p>

Notes:

- a) The registered owner for the property is Royal Domain Plaza Pty Ltd, which is contained in 10 Title Certificates (8 car park spaces and 2 storage lots). The ownership interest is summarized as follows

Lot No.	Plan	Title Ref.	Registered Owner
Lot 1B	Plan of Subdivision 419703E	Volume 10599 Folio 995	Royal Domain Plaza Pty Ltd
Lot 2B	Plan of Subdivision 419703E	Volume 10599 Folio 996	Royal Domain Plaza Pty Ltd
Lot 10B	Plan of Subdivision 419703E	Volume 10600 Folio 004	Royal Domain Plaza Pty Ltd
Lot 16B	Plan of Subdivision 419703E	Volume 10600 Folio 010	Royal Domain Plaza Pty Ltd
Lot 46B	Plan of Subdivision 419703E	Volume 10600 Folio 040	Royal Domain Plaza Pty Ltd
Lot 68B	Plan of Subdivision 419703E	Volume 10600 Folio 062	Royal Domain Plaza Pty Ltd
Lot 71B	Plan of Subdivision 419703E	Volume 10600 Folio 065	Royal Domain Plaza Pty Ltd
Lot 80A	Plan of Subdivision 419703E	Volume 10599 Folio 989	Royal Domain Plaza Pty Ltd
Lot 81A	Plan of Subdivision 419703E	Volume 10599 Folio 990	Royal Domain Plaza Pty Ltd
Lot 15A	Plan of Subdivision 419703E	Volume 10599 Folio 924	Royal Domain Plaza Pty Ltd

- b) Although all comprising individual titles, the Planning Permit restricts the use of the lots, with the pertinent details outlined below:

Condition 4(a):

"The owner of the land must offer the remaining car parking spaces on the lower ground level and basement level 1 which have not as at the date of issue of this permit been sold (Unsold Spaces) for purchase at the original selling price (\$27,750) to the owners of the residential apartments on the land concurrently with settlement of contracts of sale for those apartments. These offers must be made on the basis that the apartment owners have up to three months from the date of settlement of their contracts to purchase one or more of the Unsold Spaces (Purchase Period)."

Condition 4(b):

"After the Purchase Period has elapsed, the owner may lease any Unsold Space which has not been purchased by the owner of a residential apartment under Condition 4(a) to the owners of the commercial offices at 370 St Kilda Road, or lease or sell any Unsold Space to the owner of the commercial carpark authorised by this permit or to a person or body involved in the management of the land. The Unsold Spaces which are leased in accordance with this Condition 4(b) must be leased on a monthly basis."

Condition 4(c):

"If at any time the owner receives a request from the owner of a residential apartment on the land to purchase a car parking space, the owner must offer an Unsold Space for sale to the residential apartment owner on fair and reasonable commercial terms by no later than one month after the request has been made unless it has sold the Unsold Spaces pursuant to Condition 4(b)."

Condition 4(d):

"The owner must enter into a Section 173 agreement governing any of the Unsold Spaces sold pursuant to Condition 4(b), which agreement shall contain covenants to the effect that:

- (1) *any Unsold Space which has purchased in accordance with Condition 4(b) is leased on a monthly basis to either the owners of a residential apartment on the land or to owners of commercial offices at 370 St Kilda Road.*
- (2) *if the owner of the commercial carpark has purchased the Unsold Spaces and receives a request from the owner of a residential apartment on the land to purchase an Unsold Space, offer an Unsold Space for sale to the residential apartment owner on fair and reasonable commercial terms by no later than one month after the request has been made."*

Condition 4(e):

"A person who has leased any Unsold Space in accordance with Condition 4(b) must ensure that the Unsold Space is sub-let on a monthly basis to either the owners of a residential apartment on the land or to the owners or occupiers of commercial offices at 370 St Kilda Road."

Condition 4(f):

"The commercial carpark owner must:

- (1) Ensure that at all times there are sufficient number of car parking spaces within the commercial car park to ensure that a car parking space can be leased to an occupant of a residential apartment on the land by no later than one month after the request has been made.*
 - (2) If a tenant or owner of a residential apartment on the land requests to lease a car parking space in the commercial carpark, offer to lease a space to the owner or tenant. A tenant or owner who makes such a request must be given an opportunity to lease a car parking space on a weekly or monthly basis at fair and reasonable commercial rates.*
 - (3) Ensure that no less than 20 car parking spaces are set aside for short-term (hourly) parking at fair and reasonable commercial rates."*
- c) As confirmed by the Target Group, the individual properties are not encumbered by a loan/mortgage.
- d) As confirmed by the Target Group, Royal Domain Plaza Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.
- e) The ownership interest is Strata-(Subdivided Accommodation).
- f) The Property lies within the "Commercial 1" zone under the Melbourne Planning Scheme.
- g) According to the subject Certificaters of Title, there has been no transfer of the subject titles in the past 5 years.

APPENDIX IX VALUATION CERTIFICATE – IX

Group IV: Property interests held by the Target Group for Owner Occupancy in Australia**VALUATION CERTIFICATE**

Property	Description and tenure	Details of occupancy	Capital value as of 31 May 2015
The property comprises 13 completed apartments and 70 individually titled (subdivided) car spaces within Stage 1 (Hudson) and Stage 2 (Madison) lots of the Upper West Side developments, that were completed in early 2013 and mid 2014 respectively. The Properties are located at 220 Spencer Street and 639 Lonsdale Street in Melbourne, VIC.	The Property consists of thirteen (13) apartments that are all currently leased under Residential Tenancy Agreements. All of the subject car parking lots are currently vacant.	Currently, all of the apartments are leased and the car spaces are vacant/occupied by the owner. Within the market, typical lease terms are on a 6–12 month lease with some currently in occupation on an overholding basis (month-to-month). All leases are on a gross basis. The Potential Gross Income (PGI) for Year One of the analysis is estimated to be \$383,976 per year.	AUD6,500,000 (AUSTRALIAN DOLLARS – SIX MILLION, FIVE HUNDRED THOUSAND) (100% interest attributable to the Target Group: AUD6,500,000)
The Property is situated within the Melbourne CBD.			

Notes:

- a) The registered owner for the individual properties is Far East Consortium (Australia) Pty Ltd, which is contained in 83 Title Certificates (13 apartments and 70 car parking spaces). The ownership interest is summarized as follows

SUMMARY OF TITLE DETAILS FOR APARTMENTS

Lot No.	Plan	Title Ref.	Registered Owner
Lot 101S	Plan of Subdivision 633275D	Volume 11404 Folio 146	Far East Consortium (Australia) Pty Ltd
Lot 201S	Plan of Subdivision 633275D	Volume 11404 Folio 319	Far East Consortium (Australia) Pty Ltd
Lot 304S	Plan of Subdivision 633275D	Volume 11404 Folio 324	Far East Consortium (Australia) Pty Ltd
Lot 2004S	Plan of Subdivision 633275D	Volume 11404 Folio 305	Far East Consortium (Australia) Pty Ltd
Lot 2006S	Plan of Subdivision 633275D	Volume 11404 Folio 307	Far East Consortium (Australia) Pty Ltd
Lot 2104S	Plan of Subdivision 633275D	Volume 11404 Folio 890	Far East Consortium (Australia) Pty Ltd

Lot No.	Plan	Title Ref.	Registered Owner
Lot 2505S	Plan of Subdivision 633275D	Volume 11405 Folio 959	Far East Consortium (Australia) Pty Ltd
Lot 2605S	Plan of Subdivision 633275D	Volume 11405 Folio 976	Far East Consortium (Australia) Pty Ltd
Lot 2906S	Plan of Subdivision 633275D	Volume 11406 Folio 028	Far East Consortium (Australia) Pty Ltd
Lot 3004S	Plan of Subdivision 633275D	Volume 11406 Folio 043	Far East Consortium (Australia) Pty Ltd
Lot 3305S	Plan of Subdivision 633275D	Volume 11406 Folio 095	Far East Consortium (Australia) Pty Ltd
Lot 3706S	Plan of Subdivision 633275D	Volume 11406 Folio 164	Far East Consortium (Australia) Pty Ltd
Lot 4505S	Plan of Subdivision 633275D	Volume 11406 Folio 299	Far East Consortium (Australia) Pty Ltd

SUMMARY OF TITLE DETAILS FOR CAR SPACES

Lot No.	Plan	Title Ref.	Registered Owner
Situated in Stage 1 – Hudson			
Lot 1019Y	Plan of Subdivision 633275D	Volume 11403 Folio 727	Far East Consortium (Australia) Pty Ltd
Lot 1047Y	Plan of Subdivision 633275D	Volume 11403 Folio 753	Far East Consortium (Australia) Pty Ltd
Lot 1048Y	Plan of Subdivision 633275D	Volume 11403 Folio 754	Far East Consortium (Australia) Pty Ltd
Lot 1049Y	Plan of Subdivision 633275D	Volume 11403 Folio 755	Far East Consortium (Australia) Pty Ltd
Lot 2023Z	Plan of Subdivision 633275D	Volume 11403 Folio 802	Far East Consortium (Australia) Pty Ltd
Lot 2046Y	Plan of Subdivision 633275D	Volume 11403 Folio 822	Far East Consortium (Australia) Pty Ltd
Lot 2047Y	Plan of Subdivision 633275D	Volume 11403 Folio 823	Far East Consortium (Australia) Pty Ltd
Lot 2048Y	Plan of Subdivision 633275D	Volume 11403 Folio 824	Far East Consortium (Australia) Pty Ltd
Lot 2049Y	Plan of Subdivision 633275D	Volume 11403 Folio 825	Far East Consortium (Australia) Pty Ltd
Lot 6010Y	Plan of Subdivision 633275D	Volume 11403 Folio 955	Far East Consortium (Australia) Pty Ltd
Lot 6013Y	Plan of Subdivision 633275D	Volume 11403 Folio 958	Far East Consortium (Australia) Pty Ltd
Lot 6018Y	Plan of Subdivision 633275D	Volume 11403 Folio 963	Far East Consortium (Australia) Pty Ltd
Lot 6019Y	Plan of Subdivision 633275D	Volume 11403 Folio 964	Far East Consortium (Australia) Pty Ltd
Lot 6021Z	Plan of Subdivision 633275D	Volume 11403 Folio 966	Far East Consortium (Australia) Pty Ltd
Lot 1020Y	Plan of Subdivision 633275D	Volume 11404 Folio 120	Far East Consortium (Australia) Pty Ltd

Lot No.	Plan	Title Ref.	Registered Owner
Situated in Stage 2 – Madison			
Lot 1055Y	Plan of Subdivision 633275D	Volume 11478 Folio 958	Far East Consortium (Australia) Pty Ltd
Lot 1056Y	Plan of Subdivision 633275D	Volume 11478 Folio 959	Far East Consortium (Australia) Pty Ltd
Lot 1057Z	Plan of Subdivision 633275D	Volume 11478 Folio 960	Far East Consortium (Australia) Pty Ltd
Lot 1058Z	Plan of Subdivision 633275D	Volume 11478 Folio 961	Far East Consortium (Australia) Pty Ltd
Lot 1059Z	Plan of Subdivision 633275D	Volume 11478 Folio 962	Far East Consortium (Australia) Pty Ltd
Lot 1060Y	Plan of Subdivision 633275D	Volume 11478 Folio 981	Far East Consortium (Australia) Pty Ltd
Lot 1092Y	Plan of Subdivision 633275D	Volume 11478 Folio 983	Far East Consortium (Australia) Pty Ltd
Lot 1093Y	Plan of Subdivision 633275D	Volume 11478 Folio 984	Far East Consortium (Australia) Pty Ltd
Lot 2090Y	Plan of Subdivision 633275D	Volume 11478 Folio 995	Far East Consortium (Australia) Pty Ltd
Lot 2091Y	Plan of Subdivision 633275D	Volume 11478 Folio 996	Far East Consortium (Australia) Pty Ltd
Lot 2093Y	Plan of Subdivision 633275D	Volume 11478 Folio 998	Far East Consortium (Australia) Pty Ltd
Lot 2094Y	Plan of Subdivision 633275D	Volume 11478 Folio 999	Far East Consortium (Australia) Pty Ltd
Lot 1061Y	Plan of Subdivision 633275D	Volume 11479 Folio 014	Far East Consortium (Australia) Pty Ltd
Lot 1062Y	Plan of Subdivision 633275D	Volume 11479 Folio 015	Far East Consortium (Australia) Pty Ltd
Lot 1063Y	Plan of Subdivision 633275D	Volume 11479 Folio 016	Far East Consortium (Australia) Pty Ltd
Lot 1064Y	Plan of Subdivision 633275D	Volume 11479 Folio 017	Far East Consortium (Australia) Pty Ltd
Lot 1065Y	Plan of Subdivision 633275D	Volume 11479 Folio 018	Far East Consortium (Australia) Pty Ltd
Lot 1066Y	Plan of Subdivision 633275D	Volume 11479 Folio 019	Far East Consortium (Australia) Pty Ltd
Lot 1067Y	Plan of Subdivision 633275D	Volume 11479 Folio 020	Far East Consortium (Australia) Pty Ltd
Lot 1068Y	Plan of Subdivision 633275D	Volume 11479 Folio 021	Far East Consortium (Australia) Pty Ltd
Lot 1069Y	Plan of Subdivision 633275D	Volume 11479 Folio 022	Far East Consortium (Australia) Pty Ltd
Lot 4044Y	Plan of Subdivision 633275D	Volume 11479 Folio 071	Far East Consortium (Australia) Pty Ltd
Lot 6056Y	Plan of Subdivision 633275D	Volume 11479 Folio 147	Far East Consortium (Australia) Pty Ltd
Lot 6063Y	Plan of Subdivision 633275D	Volume 11479 Folio 154	Far East Consortium (Australia) Pty Ltd
Lot 6070Y	Plan of Subdivision 633275D	Volume 11479 Folio 159	Far East Consortium (Australia) Pty Ltd
Lot 6074Y	Plan of Subdivision 633275D	Volume 11479 Folio 163	Far East Consortium (Australia) Pty Ltd
Lot 6078Y	Plan of Subdivision 633275D	Volume 11479 Folio 167	Far East Consortium (Australia) Pty Ltd
Lot 6079Y	Plan of Subdivision 633275D	Volume 11479 Folio 168	Far East Consortium (Australia) Pty Ltd

APPENDIX IV (B)**PROPERTIES LOCATED IN AUSTRALIA
(VALUED BY CBRE)**

Lot No.	Plan	Title Ref.	Registered Owner
Lot 7003Z	Plan of Subdivision 633275D	Volume 11479 Folio 186	Far East Consortium (Australia) Pty Ltd
Lot 7062Y	Plan of Subdivision 633275D	Volume 11479 Folio 192	Far East Consortium (Australia) Pty Ltd
Lot 7064Y	Plan of Subdivision 633275D	Volume 11479 Folio 194	Far East Consortium (Australia) Pty Ltd
Lot 7065Y	Plan of Subdivision 633275D	Volume 11479 Folio 195	Far East Consortium (Australia) Pty Ltd
Lot 8002Z	Plan of Subdivision 633275D	Volume 11479 Folio 229	Far East Consortium (Australia) Pty Ltd
Lot 8038Y	Plan of Subdivision 633275D	Volume 11479 Folio 237	Far East Consortium (Australia) Pty Ltd
Lot 8042Y	Plan of Subdivision 633275D	Volume 11479 Folio 241	Far East Consortium (Australia) Pty Ltd
Lot 8044Y	Plan of Subdivision 633275D	Volume 11479 Folio 243	Far East Consortium (Australia) Pty Ltd
Lot 8051Y	Plan of Subdivision 633275D	Volume 11479 Folio 245	Far East Consortium (Australia) Pty Ltd
Lot 8052Y	Plan of Subdivision 633275D	Volume 11479 Folio 246	Far East Consortium (Australia) Pty Ltd
Lot 8053Y	Plan of Subdivision 633275D	Volume 11479 Folio 247	Far East Consortium (Australia) Pty Ltd
Lot 8054Y	Plan of Subdivision 633275D	Volume 11479 Folio 248	Far East Consortium (Australia) Pty Ltd
Lot 8055Y	Plan of Subdivision 633275D	Volume 11479 Folio 249	Far East Consortium (Australia) Pty Ltd
Lot 8056Y	Plan of Subdivision 633275D	Volume 11479 Folio 250	Far East Consortium (Australia) Pty Ltd
Lot 8058Y	Plan of Subdivision 633275D	Volume 11479 Folio 252	Far East Consortium (Australia) Pty Ltd
Lot 8059Y	Plan of Subdivision 633275D	Volume 11479 Folio 253	Far East Consortium (Australia) Pty Ltd
Lot 8060Z	Plan of Subdivision 633275D	Volume 11479 Folio 254	Far East Consortium (Australia) Pty Ltd
Lot 8061Y	Plan of Subdivision 633275D	Volume 11479 Folio 255	Far East Consortium (Australia) Pty Ltd
Lot 8062Y	Plan of Subdivision 633275D	Volume 11479 Folio 256	Far East Consortium (Australia) Pty Ltd
Lot 8066Y	Plan of Subdivision 633275D	Volume 11479 Folio 258	Far East Consortium (Australia) Pty Ltd
Lot 8067Y	Plan of Subdivision 633275D	Volume 11479 Folio 259	Far East Consortium (Australia) Pty Ltd
Lot 8069Y	Plan of Subdivision 633275D	Volume 11479 Folio 261	Far East Consortium (Australia) Pty Ltd
Lot 8070Y	Plan of Subdivision 633275D	Volume 11479 Folio 262	Far East Consortium (Australia) Pty Ltd
Lot 8073Y	Plan of Subdivision 633275D	Volume 11479 Folio 265	Far East Consortium (Australia) Pty Ltd
Lot 8074Y	Plan of Subdivision 633275D	Volume 11479 Folio 266	Far East Consortium (Australia) Pty Ltd
Lot 8075Z	Plan of Subdivision 633275D	Volume 11479 Folio 267	Far East Consortium (Australia) Pty Ltd
Lot 2011Y	Plan of Subdivision 633275D	Volume 11580 Folio 194	Far East Consortium (Australia) Pty Ltd

- b) Although all comprising individual titles, the Planning Permit and Section 173 Agreement registered on title restricts the use of the car parking, with the pertinent details outlined below:

Planning Permit:

The area(s) set aside for car parking in the building must be restricted to the parking of vehicles by owners and occupiers of, or visitors to the building.

Access to the car park, excluding car parking spaces, must be designed to be safe, convenient and non-discriminatory for people with disabilities.

Signalisation of the Lonsdale Street exit (including bus U-turns, left-in/left-out/right-in/right-out only & continuous footpath) is subject to approval from VicRoads, the bus operators and detailed design is to be to the satisfaction of the City of Melbourne (Engineering Services).

All mechanical exhaust systems to the car park hereby approved must be sound attenuated to prevent noise nuisance to the occupants of the surrounding properties, to the satisfaction of the Responsible Authority.

The loading and unloading of vehicles and delivery of goods to and from the premises must at all times take place within the boundaries of the site.

Provision must be made for a minimum of 778 secure bicycle parking spaces to be located within the site to the satisfaction of the Responsible Authority.

Section 173 Agreement:

This agreement Covenants of the Owner that:

A legally binding agreement under Section 173 of the Planning and Environment Act 1987 shall be entered into between the land owner and the Responsible Authority prior to the issue of the statement of compliance for the plan, concerning accessory lots set out in the plan. This agreement is to indemnify Council against any claims on the matter. The agreement must also contain such other conditions as may be advised by Chief Legal Counsel, City Of Melbourne. The owner of the land being subdivided must pay all of Council's reasonable legal costs and expenses of this agreement, including Office of Titles registration fees. The agreement is to:

1. *ensure the accessory lots can only be used for purposes ancillary to the use of "prime" lots within subdivision/s of the Upper West Side Development;*
 2. *ensure the accessory lots can only be used by an owner of or occupier of or bona-fide visitor to a "prime" lot within subdivision/s of the Upper West Side Development;*
 3. *ensure an accessory lot cannot be used for commercial car parking;*
 4. *ensure an accessory lot can only be owned by an owner of a "prime" Lot within subdivision/s of the Upper West Side Development; and*
 5. *acknowledge that some of the accessory lots that are used for car parking are more or only suitable for use by small vehicles.*
- c) As confirmed by the Target Group, the individual properties are not encumbered by a loan/mortgage.
- d) As confirmed by the Target Group, Far East Consortium (Australia) Pty Ltd is a 100% indirectly owned subsidiary of the Target Group.

- e) The ownership interest is Strata (Subdivided Accommodation).
- f) The Property lies within the “Capital City 1 Zone” under the Melbourne Planning Scheme.
- g) According to the subject Certificaters of Title, there has been no transfer of the subject titles in the past 5 years.

EXECUTIVE SUMMARY**18 Car Park Properties, Australia**

Instructing Party	Far East Consortium International Limited		
Applicant	Care Park Pty Ltd		
Purpose of Valuation	To assess the market values of the subject properties as at 31 May 2015 for Asset reporting purposes		
Properties	<ol style="list-style-type: none"> 1) 12-20 Divett Place (11-19 Roper Street), Adelaide, SA 2) 13-19 Bank Street, Adelaide, SA 3) 344 Queen Street, Brisbane, QLD 4) Northbank Place, Flinders Street, Melbourne, VIC 5) Watergate Car Park, 767 Bourke Street, Docklands, VIC 6) 2-6 Mundy Street, Bendigo, VIC 7) 360 St Kilda Road, Melbourne, VIC 8) 14 Stewart Street, Shepparton, VIC 9) 15 Langhorne Street, Dandenong, VIC 10) Central Square, Dana Street, Ballarat, VIC 11) 9 Yarra Street, South Yarra, VIC 12) 521 Toorak Road, Toorak, VIC 13) 9-23 Watchorn Street, Hobart, TAS 14) 9 Fenton Street, Devonport, TAS 15) 1A/10 Willis Street, Launceston, TAS 16) 133 Melville Street, Hobart, TAS 17) Quadrant Plaza, 94-98 York Street, Launceston, TAS 18) 124 York Street, Launceston, TAS 		
Date of Inspections	Various throughout March and April 2015		
Date of Valuation	31 May 2015		
Adopted Market Value (100% interest)	\$91,955,000 (*) (Ninety One Million Nine Hundred and Fifty Five Thousand Dollars)		
FEC Interest (76.05%)	\$69,931,777 (Sixty Nine Million Nine Hundred Thirty One Thousand Seven Hundred and Seventy Seven Dollars)		
Prepared by	Francis Lynch AAPI	Adrian Rowse AAPI	Lawrence Devine
	Certified Practicing Valuer	Certified Practising Valuer	Certified Practising Valuer
	Savills Valuations Pty Ltd	Savills Valuations Pty Ltd	Savills Valuation Pty Ltd

- (*) This valuation amount is gross realisation of the 18 properties, and does not represent an in-one-line value nor any forced sale element. The figure is stated exclusive of a Goods and Services Tax and is in Australian Dollars (AUD).

To any party relying on this report we advise that this summary must be read in conjunction with the attached report of which this summary forms part. This valuation summary should not be relied upon in isolation for finance or any other purposes.

CRITICAL ASSUMPTIONS

18 Car Park Properties, Australia

Assumptions

- That the interest in the subject properties attributable to Far East Consortium International Limited is 76.05% as advised by Far East Consortium International Limited;
- That the properties are not the subject of any proposed resumptions;
- That the properties are not affected by flooding or overland flow paths;
- That the properties are not affected by contamination in any form;
- That there are no notifications or restrictions that would have an adverse affect on the value of the properties;
- That all certificates and approvals are in place as required by the local authority;
- That the properties are occupied and managed in full compliance with the law;
- That there is no unidentified capital expenditure requirement for the properties;
- That all leases are enforceable and in accordance with details provided;
- That the information supplied by Care Park Pty Ltd, in particular with regards to annual revenue and expenses, is accurate and current;
- That all lettable areas as advised are correct;
- That there are no outstanding rental arrears or incentives associated with the retail/commercial tenancies;
- That the number of car parking spaces as advised is correct for each property; and
- That all dollar figures quoted in this report are in Australian Dollars (AUD).

Should any of the assumptions in this report be incorrect or inaccurate, then we reserve the right to amend the valuation and the report.

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1 INTRODUCTION

1.1 Instruction

We refer to recent instructions from Ms. Deanne Pointon of Care Park Pty Ltd, on behalf of Far East Consortium International Limited (the 'Company') requesting Savills Valuations Pty Ltd to undertake market valuations of 18 freehold and leasehold properties in Australia which are primarily used as commercial car parks. The addresses of the individual properties are provided as follows:

1. 12-20 Divett Place (11-19 Roper Street), Adelaide, SA
2. 13-19 Bank Street, Adelaide, SA
3. 344 Queen Street, Brisbane, QLD
4. Northbank Place, Flinders Street, Melbourne, VIC
5. Watergate Car Park, 767 Bourke Street, Docklands, VIC
6. 2-6 Mundy Street, Bendigo, VIC
7. 360 St Kilda Road, Melbourne, VIC
8. 14 Stewart Street, Shepparton, VIC
9. 15 Langhorne Street, Dandenong, VIC
10. Central Square, Dana Street, Ballarat, VIC
11. 9 Yarra Street, South Yarra, VIC
12. 521 Toorak Road, Toorak, VIC
13. 9-23 Watchorn Street, Hobart, TAS
14. 9 Fenton Street, Devonport, TAS
15. 1A/10 Willis Street, Launceston, TAS
16. 133 Melville Street, Hobart, TAS
17. Quadrant Plaza, 94-98 York Street, Launceston, TAS
18. 124 York Street, Launceston, TAS

We advise that we have made investigations into various matters relating to the subject properties and also into property market conditions relevant to the subject properties for the purpose of providing you with our opinion of the market values of the freehold or leasehold interests of the properties as at 31 May 2015 (date of valuation).

The valuations assess the market value of the individual properties and can be relied upon by **Far East Consortium International Limited** for **asset reporting purposes**, subject to the commentary, suggestions, recommendations and details herein.

1.2 Basis of Valuation

1.2.1 Australia

We have assessed the valuation on the basis of freehold title, and leasehold title with respect to partial interests in Northbank Place, Melbourne and 15 Langhorne Street, Dandenong.

Included in the amount of this valuation are normal fixtures and fittings. Excluded from the amount of this valuation are items of furniture and furnishings, and tenant's fixtures and fittings. This valuation is determined on the basis that the property, the title thereto and its use is not affected by any matter other than that mentioned in this report.

The valuations have been prepared in accordance with the fair value definition incorporated within AASB116 'Property Plant and Equipment' and AASB140 'Investment Properties'. In accordance with AASB116, fair value is:

"The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction."

As all the subject property assets are considered by us to be non-specialised, the fair value for each property has been established by referring to market transactions of comparable properties. On this basis, fair value and market value have the same practical meaning.

It is also to be noted that each property has been assessed assuming a sale on an individual basis, assuming an orderly disposal programme. Further, although we have had due consideration for the business activities being conducted at each of the properties by the owning entity, Care Park Pty Ltd ('Care Park') or related companies, we have not attributed any value to the business associated with the operation of the car park business at each of the properties.

Accordingly, we advise that our valuations assume the sale of each property on an individual basis at or about the date of valuation, exclusive of any business or goodwill component, and in no way does our stated value herein reflect an in-one-line assessment nor any forced sale element.

1.2.2 Hong Kong

Our valuations are also prepared in general accordance with the 'HKIS (Hong Kong Institute of Surveyors) Valuation Standards on Properties (2012 Edition)' and meet the requirements contained in Chapter 5 (Valuation of and information on properties) of the Rules Governing the Listing of Securities (the 'Exchange Listing Rules') issued by The Stock Exchange of Hong Kong Limited.

Our valuations are made on the basis of Market Value which is defined by the HKIS to mean '*the estimated amount for which an asset or liability 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*'.

We have generally adopted a combination of the Direct Comparison Method and Capitalisation of Net Income Approach in assessing the market value of each property. When applying these methodologies to each property, we have referred to recent market transactions for comparable properties and have then made adjustments as appropriate to reflect the differences as appropriate in factors such as date of sale, location, property quality, competitive positioning, length of ground lease or building leases as appropriate and any other factors considered appropriate in arriving at market value.

The Capitalisation of Net Income Approach is commonly used in Australia as a method of valuing income producing properties. This approach is based upon the application of a yield (capitalisation rate) to the net income from the property at the date of valuation. This net income is verified by reference to rental levels paid on other comparable properties.

Within the Direct Comparison Method we have compared the subject property to sales of other comparable properties on a rate per car bay or rate per square metre of site area basis.

1.3 Market Value Definition

Market value as defined by the International Valuation Standards Council and as adopted by the Australian Property Institute is as follows:

"Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

1.4 Highest and Best Use

In completing this valuation, we have considered the highest and best use to which the land might reasonably be expected to be put at the relevant date.

'Highest and Best Use' is the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued — (IVS General Valuation Concepts and Principles).

1.5 Date of Inspections

Various dates during March and April 2015.

1.6 Date of Valuations

In accordance with our instructions and for practical asset reporting purposes, the market values have been provided as at **31 May 2015** and have been based upon information available to us prior to this time as at March/early April 2015.

Savills Valuations Pty Ltd accepts no responsibility for subsequent changes in information as to income or expenses relating to the subject properties, conditions of improvements as inspected, or to market conditions, between the date of inspections and the valuation date.

Should we become aware of any relevant market information that may impact on the value of the property (up to and including 31 May 2015), we at our own discretion reserve the right to amend the valuation(s).

2 GENERAL AND LIMITED CONDITIONS

2.1 Legal Status

We have undertaken current searches of either the freehold title or ground lease in order to establish the legal entity ownership of all the properties and also to establish whether or not there are any limitations on title such as easements, encumbrances or covenants that might have a material impact on the value of each property. Where any property is subject to leases to external parties (eg. shop leases), we have either been provided with a copy of the lease or have verified pertinent lease information from the property owner.

2.2 Site Contamination

We have not been provided with any site history reports for the respective properties.

A visual site inspection has not revealed any obvious pollution or contamination. Nevertheless, we wish to advise that we (Savills Valuations Pty Ltd) are not qualified to provide advice on the physical condition of the land and we are not aware of any geotechnical and/or environmental defects with the land. Further, we have not sighted any environmental audits or geotechnical reports, which suggest site contamination or

defects. This valuation has therefore been made on the assumption that there are no actual or potential contamination issues affecting:-

- The value or marketing of the property; or
- The site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should we subsequently be advised of any contamination and/or defects we reserve the right to reassess our valuation.

2.3 Site Services

In our reference to the availability of services (eg electricity, mains water, sewerage, mains gas and telephone), Savills Valuations Pty Ltd has either relied on information provided by the building owner, occupier or manager, or has had reference to information provided verbally by the various providers of such services. Unless stated to the contrary, Savills Valuations Pty Ltd has not undertaken formal searches to establish whether or not services are either available or connected to the subject properties.

2.4 Property Use

For all properties, we have examined the current Planning Scheme prepared by each local authority in which the relevant property is situated. In situations where the current use of the property (eg car parking, retail) is a use which requires a planning permit to be issued, Savills Valuations Pty Ltd has not obtained a copy of any planning permit and has relied upon the provisions of the relevant Planning Scheme to establish whether or not the existing use(s) is a permitted use.

Accordingly, Savills Valuations Pty Ltd takes no responsibility if any of the subject properties are currently being used for a purpose which has been prohibited either by a planning permit application or relevant planning scheme. We are unaware of any plans to construct, renovate, improve or develop any of the properties, other than for regular maintenance and redecoration. We are also unaware of any plans to dispose of or change the use of any of the properties.

2.5 Structural and Environmental Issues

At the time of our inspection, the building improvements generally appeared to be suitable for the use(s) to which they are currently being put, and we did not notice any obvious building defects except for items of a cosmetic nature. However, Savills Valuations Pty Ltd is not an expert in the area of building regulations including occupational health and safety standards, and we are not qualified to carry out nor have we sighted a structural survey/report of the building. We were also unable to inspect parts of the premises that were unexposed or inaccessible and therefore cannot say that such parts are free from defects. Accordingly, Savills Valuations accepts no responsibility

for any impact on the value of the properties through the requirement by the owner or occupier to undertake building upgrade or rectification works to meet building standards and occupational health and safety requirements.

We are not aware of, nor have we been advised as to the presence of asbestos within the buildings. Savills Valuations Pty Ltd is not an expert in the identification of asbestos and no warranty can be given that the improvements are free from asbestos.

Our assessment of Market Value assumes that all statutory requirements relating to the management of asbestos (if any) within the subject properties are being adhered to and that there are no asbestos matters that could have the potential for adversely impacting our assessment of Market Value.

Savills Valuations Pty Limited is not an expert in the identification and management of Asbestos. Should an Asbestos Audit Report reveal any matter that may affect value, then Savills Valuations Pty Limited reserves the right to reassess this valuation in accordance with the report findings.

2.6 Tenancy Schedule/Business Statements

In undertaking our valuations, we have relied upon the tenancy schedules and business statements provided to us by the property owner in respect of current net and gross revenues. Where possible, we have benchmarked the gross and net revenues provided to us by Care Park with current pricing and occupancy rates for other comparable car parks. It is noted that we have not verified this information by reference to cheque receipts or other audit procedures. Savills Valuations Pty Ltd accepts no responsibility for any material impact on value if a formal audit of the cash flow is materially different to that stated on the tenancy schedules or business statements provided to us by Care Park.

2.7 Mortgage or Other Charges

All properties are subject to a first mortgage to Bank of Western Australia Limited.

No allowance has been made in our valuations for any mortgages, charges or other amounts owing on the properties nor for any expenses or taxation which may be incurred in undertaking a sale of any of the properties. Accordingly, our valuations assume that if any of the properties were to be sold, it would be free from any mortgages, charges or amounts owing which could affect the market value.

2.8 Tax Liabilities

In our opinion the subject properties are most likely to be defined as a 'going concern' under the relevant provisions of current Goods and Services Tax (GST) legislation in Australia. Accordingly, a hypothetical sale of the interest valued herein is assumed to be GST free and our valuation is exclusive of any GST. Savills Valuations Pty Ltd takes no responsibility for the liability or otherwise for the payment of GST on an assumed sale of the interest valued herein.

In addition, any market rentals, passing rentals from existing leases and outgoings amounts are also assumed to be exclusive of GST unless stated to the contrary.

2.9 Occupancy

All properties are held for owner occupation, with the exception of Properties 2 and 17 which are held for part owner occupation and part investment. Accordingly, all properties are classified as 'held for owner occupation'.

2.10 Redevelopment

None of the properties are currently undergoing redevelopment or are being actively considered for redevelopment by the current owner. While some of the properties may have redevelopment potential at some point in the future, our valuations are not based upon any specific redevelopment proposal.

2.11 Market Data

In arriving at our market value for each of the properties, we have obtained information of market activity relevant to each property. This information includes details of sale and leasing transactions for comparable or similar properties, information relating to market activity and factors considered likely to affect the current value of each of the properties.

This information is obtained from a variety of sources including publicly available information (newspapers, statements by public companies, etc), subscription to information databases and information generally provided verbally by others such as estate agents, property managers, property valuers and consultants. In many instances, we have not had access to the original source material such as contracts of sale or signed leases. Although we have no reason to doubt the validity of the information provided to us, and we have relied on this information in good faith, we are unable to state with certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

2.12 Intra-group Leases

We are advised by the owner of all properties that there are no intra-group leases granted by the parent company to a subsidiary company on any of the properties.

3 TRADING OVERVIEW

All of the subject properties are currently operated as public car park facilities. For 16 of the properties, the sole use is for car parking, however in the cases of Bank Street, Adelaide and Quadrant Plaza, York Street, Launceston (Properties 2 and 17 respectively), these properties also incorporate several retail tenancies leased to external third parties, in addition to the car park use.

The current portfolio of car park properties has been steadily built up over a period of some 18 years. Approximately nine of the 18 properties have been acquired within the last ten years.

As a result of this steady acquisition programme, it is not possible to provide a long term trading history.

Although individual car parks are subject to competitive pressures, generally speaking the portfolio of properties has been able to experience steady revenue growth, boosted in part through the reduction of surrounding supply of commercial car parking due to sites used for commercial parking being re-developed for high density residential uses.

There appears to be no reduction in demand for car parking, notwithstanding some problems associated with private transport access in major cities, particularly Melbourne. To this extent, while the changes in the application of the Congestion Levy in the Melbourne CBD from January 2014 had a dampening effect on car park revenues for some properties located within levy zones, market forces have now generally become accustomed to this levy.

4 MARKET OVERVIEW

4.1 Investment Market

The broader commercial, retail and industrial investment property markets have strengthened in recent times. The official cash rate is now at a historical low level of 2.00% with the current low interest rate environment having contributed to the appetite of investors to invest in real estate.

Those assets with longer term leases, good quality tenants and low ongoing capital expenditure requirements are in stronger demand and investors are primarily seeking property leased at realistic rentals and at levels that will provide for real growth over time, however we have also seen some strengthening for secondary investments over the last 12 months as a result of a lack of quality stock being available.

The investment market for car park assets, particularly in non-mainland and regional locations, can be considered 'thin'. In considering our valuation of the subject property we have sought to identify transactions of a similar asset class in both metropolitan and regional locations. In addition we have also considered investment sales of other asset classes including retail and commercial premises.

4.2 Car Park Market

At any given time, sales of freestanding or strata car parks are relatively infrequent, not necessarily as a result of a lack of demand but rather a lack of offerings to the market. The majority of commercial car parks in major cities form part of larger mixed use properties and therefore are not available for separate sale. Alternatively, where car parks

are on separate titles, they are often held by private investors on a long-term basis or owner occupiers, with relatively few car parks owned by major institutional investors. More recently, in the current development cycle, commercial car parks have been acquired for re-development and therefore do not reflect benchmarks required by investors for ongoing use of the properties as commercial car parks.

There have been four major transactions of car park investment assets to occur nationally within the previous 12 months which we detail below:

102 Wakefield Street, Adelaide A ten level 671 space car parking station constructed in 2010 across the rear of the site of 3,030m², with development land of about 970 square metres across the Wakefield Street frontage. There are current approvals in place for an 11 level building over the vacant land and above the existing car park station to provide 16,405 square metres of office accommodation.

The property is leased to Wilson Parking, however settlement is delayed until September 2015 (contracts exchanged early 2015) in order for the current lease to expire and vacant possession to be provided, in order for the purchaser to owner-operate the car parking station and potentially develop the vacant portion of the site. We have therefore disregarded the lease to Wilsons in our analysis. We have been provided with gross revenue figures as at 30 June 2014 which represent approximately \$2,900/bay, while outgoings including expenses relating direct to the operation of the car park (currently paid direct by Wilsons) have been estimated at \$383,217 p.a. (\$571/bay). The advised sale price is \$25,000,000.

Upon attributing a value to the development land of \$4,000,000 and based on the revenue figures provided as at 30 June 2014, and adopting relevant estimated operating expenses which are currently payable by Wilsons, our analysis reflects a market yield of 7.41%, an IRR of 8.31% and a rate of \$31,297 per bay. Upon including the development land the total purchase price of \$25M reflects a rate of \$37,258 per bay.

Flinders Link, Adelaide, A 694 bay car park leased to Wilson Parking until December 2016, and 350m² ground floor tenancy leased to Santos until March 2017. The car park on Wyatt Street within the CBD sold in late 2014 as a part of the 'Sachenfonds Portfolio' with Lend Lease having purchased 4 assets in the Adelaide CBD for circa \$175M. We have theoretically apportioned the purchase price across the portfolio, with our analysis showing the car park building to reflect a capitalisation rate of circa 8.0% and about \$30,000 per bay.

20-28 La Trobe Street, Melbourne, A 8 level strata titled car park with 2 street frontages within a mixed-use development comprising 706 bays. The property sold in October 2014 for \$17.5 million following an on market campaign. The car park is occupied by Secure Parking until 31 December 2014 under a management agreement, with no right of renewal. The net income at time of sale was \$449,867 per annum (\$680/bay p.a.) which is considered to be below market levels.

While the sale reflects an initial yield of 2.74%, income is expected to be able to considerably improved both through revenue growth following a recent automation of the car park, and a reduction in statutory expenses with an objection to the rates and taxes assessment ongoing at the time of sale with a successful outcome likely. Our analysis of the market yield includes an allowance for capital upgrades relating to the lifts together with a stabilisation allowance based on adopting higher net market revenue following the automation of the car park. Based on these adjustments, the market yield reflects 5.16%. The sale shows \$24,787 per car space.

Aquavista Tower, 401 Docklands Drive VIC. 110 bays within a 400 bay car park below a strata office building. The property transacted privately for \$5.3 million in July 2014 following an on market campaign. The property is leased for 8 years (expiring 30 June 2017) with two 5 year options and a market review upon exercise of option. The net rent at the time of the transaction is \$432,274 per annum and the lease contains annual CPI reviews. The transaction reflects an initial and market yield of 8.10% and \$48,181 per car bay.

4.3 Local Markets

4.3.1 Adelaide

Most sectors of the Adelaide property market performed well during 2014 and into 2015, with agents reporting sound demand as and when well leased and well located assets have become available for sale.

We do note however that there have been very few sales in general throughout metropolitan Adelaide in particular for properties in the subject price range, with the “forced” sellers having transacted primarily between 2008-2010 following on from the Global Financial Crisis and other owners, mainly local privates, holding their assets. When properties have come to the market a two-tiered market has emerged, with a significant disparity in yields achieved for prime assets versus secondary assets.

In assessing the values of the 2 Adelaide assets, we have firstly had regard to the 2 car park sales as mentioned within the previous section of this report, being 102 Wakefield Street, Adelaide and Flinders Link Carpark, Adelaide.

As a result of a lack of transactions of car park buildings within South Australia within the subject price bracket, we have also had regards to a number of the sales to have occurred interstate, primarily within Metropolitan Melbourne.

Furthermore, we have extended our research to a range of office building sales under \$50M in the Adelaide CBD, providing a guide as to returns investors are seeking for assets in this price range. We summarise these as follows:

- 60 Wakefield Street & 21 Divett Place, Adelaide (March 2015) — \$37.50 million reflecting an initial yield of 7.56%, an equated market yield of 7.56%, and an IRR of 8.68%.

- 81 Flinders Street, Adelaide (February 2015) — \$41.33 million reflecting an initial yield of 8.69%, an equated market yield of 8.20%, and an IRR of 9.29%.
- 100 Pirie Street, Adelaide (August 2014) — \$28.63 million reflecting an initial yield of 6.90%, an equated market yield of 9.07%, and an IRR of 9.15%.
- 22 King William Street, Adelaide (June 2014) — \$41.80 million reflecting an initial yield of 8.38%, an equated market yield of 9.01%, and an IRR of 9.72%.

4.3.2 Melbourne

Since 2010, with respect to transactions, the Melbourne CBD car parking market has been the most active car park market nationally. More recently, residential developers have taken the opportunity to acquire improved properties for redevelopment including 170-190 Russell Street, 380 Lonsdale Street and 224-250 La Trobe Street. Additionally, sites including 2 Bowen Crescent, 9-23 McKenzie Street and 229-241 Franklin Street, maintaining at grade and warehouse parking, have transacted as re-development opportunities.

Notwithstanding the above, the Melbourne properties comprise Titles subject to Owners Corporations and cannot be redeveloped in the same way that the above properties, which have a higher and better use as residential development sites, can be. We have therefore considered transactions of car parking improvements which are subject to an Owners Corporation, and where the highest and best use is considered to be for ongoing use as a commercial car park. We have considered the following transactions of properties throughout the city and interstate.

- 20-28 La Trobe Street, Melbourne, VIC (Oct 2014) — \$17.5 million reflecting 2.74% and \$24,787/bay.
- Aquavista, 401 Docklands Drive, VIC (Jul 2014) — \$5.3 million reflecting 8.10% and \$48,181/bay.
- 9 Yarra Street, Melbourne, VIC (Jul 2014) — \$6.25 million reflecting 5.26% and \$57,339/bay.
- 300 Flinders Street, Melbourne, VIC (Nov 2013) — \$40 million reflecting 6.07% and \$69,686/bay.
- 517-537 Flinders Lane, Melbourne, VIC (May 2013) — \$6 million reflecting 6.43% and \$56,604/bay.
- 1 Dixon Street, Sydney, NSW (Sep 2013) — \$8.05 million VP and reflecting \$80,050/bay.

The investment market for car park assets when offered to the broader market would appear to be strong, however there has been a distinct lack of offerings, and resultant lack of car park transactions within Metropolitan locations.

While many Real Estate Investment Trusts (REITs) recapitalised and repaired balance sheets between 2010 and 2012, acquisition activities had remained focused on CBD and associated markets. More recently, several institutional investors have announced suburban office acquisition mandates. This has increased competition with the private investors and syndicates which focused on the metropolitan markets in the absence of institutional investors.

The increased competition from various purchaser groups has led to a tightening of yields within the metropolitan investment market within the last 12 months, which has only been enhanced by a lack of quality offerings to the market. While the cheap cost of debt has made the metropolitan markets attractive, the supply of new investment grade assets has been limited, further limiting the opportunity to invest.

Within the broader metropolitan market, we have considered some of the above transactions including:

- 50 Bolton Street, Newcastle, NSW (Aug 2012) — \$5.6 million reflecting 6.23% and \$9,207/bay.
- 291 King Street, Newcastle, NSW (Aug 2012) — \$4.1 million reflecting 10.83% and \$7,036/bay.
- 11 bays/12-14 St John Street, Launceston, TAS (Jan 2014) \$0.185 million reflecting \$16,827/bay.
- 27 bays/12-14 St John Street, Launceston, TAS (Apr 2013) \$0.5 million reflecting \$18,522/bay.

Within Dandenong, given the 'thin' market for car parking transactions within locations such as the property and the wider national market in general, we have included a summary of other investment sales which have occurred in recent times to provide a guide as to returns investors are seeking for investment assets within the price bracket. We have considered a range of investment sales within Dandenong including:

- 311-319 Lonsdale Street, Dandenong, VIC (May 2014) — \$13.51 million reflecting 9.35%
- 37 Langhorne Street, Dandenong, VIC (Dec 2013) — \$3.6 million reflecting 7.08%
- 276-288 Thomas Street, Dandenong, VIC (Feb 2014) — \$8.909 million reflecting 10.00%

4.3.3 *Regional Victoria*

The investment market for car park assets, particularly in regional locations, can be considered 'thin'. In considering our valuation of Properties 8 and 10 we have sought to identify transactions of a similar asset class in regional locations, together with sales of car park assets in metropolitan locations.

Given the size and location of the assets, the potential purchaser profiles may be a local private investor, developer, adjoining owner, or the assets could attract interest from outside the municipality.

The most comparable transactions for regional multi-deck car parks include the transactions of two assets in Newcastle, however these are now somewhat dated.

- 50 Bolton Street, Newcastle, NSW (Aug 2012) — \$5.6 million reflecting 6.23% and \$9,207/bay.
- 291 King Street, Newcastle, NSW (Aug 2012) — \$4.1 million reflecting 10.83% and \$7,036/bay.

The transactions of investment properties for other asset classes within the Ballarat region for asset sizes between \$1.8 million and \$6.65 million indicate initial yields between 7.82% and 9.30%.

The transactions of investment properties for other asset classes within the Shepparton region for asset sizes between \$0.65 million and \$10.0 million indicate initial yields between 8.47% and 12.79%.

The subject property 6 comprises a bitumen sealed car park. We consider the Highest and Best Use of the property to be a development site for a multi-unit residential or commercial development. The sales of properties on similar sized sites surrounding the CBD which we have considered within the Bendigo market reflect rates ranging from \$680/m² to \$1,302/m² over the site area.

4.3.4 *Tasmania*

As per Regional Victoria, the relatively small size of the commercial markets in Tasmania and limited sales activity makes it more difficult to assess price trends on a quarter by quarter basis. However, discussions with agents in the major centres Hobart and Launceston reveal that private investor demand for well-located and/or well leased retail/commercial property is sound.

There have been a number of sales of car parks within Tasmania in recent years we summarise as follows:

- 11 bays/12-14 St John Street, Launceston, TAS (Jan 2014) \$0.185 million reflecting \$16,827/bay.
- 27 bays/12-14 St John Street, Launceston, TAS (Apr 2013) \$0.5 million reflecting \$18,522/bay.
- 47 bays/31 York Street, Launceston, TAS (Aug 2013) \$0.584 million reflecting \$12,485/bay.
- 22 bays/231 Liverpool Street, Hobart, TAS (Feb 2014) \$0.390 million reflecting \$17,727/bay and 7.8%.

With regards to the smaller Tasmanian assets, we have also considered a number of sales of other investment classes (ie. commercial and retail) in the subject price brackets which have occurred within the local markets within recent times to provide a guide as to returns investors are seeking for investment assets. These transactions broadly reflected yields in the range of approximately 7%–9%

As a result of a lack of transactions of car park buildings within Tasmania, we have also had regards to a number of interstate sales as detailed within the interstate market commentaries, in particular when comparing against Subject Property 17 (94 York Street, Launceston) which comprises a multi-deck facility with an assessed value of \$4.5M. More specifically the 2 slightly dated transactions within Newcastle, New South Wales are considered most relevant as follows:

- 50 Bolton Street, Newcastle, NSW (Aug 2012) — \$5.6 million reflecting 6.23% and \$9,207/bay.
- 291 King Street, Newcastle, NSW (Aug 2012) — \$4.1 million reflecting 10.83% and \$7,036/bay.

Other investment properties to have transacted within the Tasmanian market which have been considered to provide a guide as to returns investors are seeking for assets in the price range of Subject Property 17 (94 York Street, Launceston) are summarized as follows:

- 105-109 Campbell Street, Hobart TAS (October 2014) - \$7.85 million reflecting 8.21%
- 181-189 Campbell Street, Hobart TAS (September 2014) - \$4.65 million reflecting 7.39% (assuming fully leased)
- 174-192 Liverpool Street, Hobart TAS (October 2014) - \$5.20 million reflecting 8.68%

- 11 John Street, Kingston TAS (April 2014) - \$6.50 million reflecting 7.70%

4.3.5 *Brisbane*

Looking at the broader Brisbane CBD market, perhaps the worst is now over for the office market in the CBD, in regard to organic demand, as the employment market is set to start a recovery phase, however, there are still some backfill and sub-lease space from lease tails to emerge as the new office buildings start to enter the market from the third quarter next year.

There is also a stated desire for the Queensland Government to reduce some of its office accommodation in order to reduce costs and it remains on their agenda to seek greater efficiency in their office space utilisation. Considering the public sector account for around 30 percent of the CBD's office space, this can have a significant impact on the office market.

Lot 1, 344 Queen Street comprises a single level basement 51 bay car park constructed in approximately 1967, beneath 344 Queen Street, a strata office building. There has been a lack of car park sales within the Brisbane CBD directly comparable to the Queen Street, property, however the following transactions are considered most comparable.

- Festival Towers, Brisbane, QLD (Various strata car bays) reflecting \$41,667/bay to \$81,667/bay.
- Aquavista, 401 Docklands Drive, VIC (Jul 2014) — \$5.3 million reflecting 8.10% and \$48,181/bay.
- 9 Yarra Street, Melbourne, VIC (Jul 2014) — \$6.25 million reflecting 5.26% and \$57,339/bay.
- 1 Dixon Street, Sydney, NSW (Sep 2013) — \$8.05 million VP and reflecting \$80,050/bay.

5 VALUATION APPROACH

All of the properties within the subject portfolio comprise income-generating public car park facilities, with two of the properties obtaining additional income from separately leased retail tenancies (Bank Street, Adelaide and Quadrant Plaza, York Street, Launceston — Properties 2 and 17 respectively). The majority of the properties have an established trading history of several years.

In undertaking our valuations, we have been provided with a profit and loss statement detailing revenue and expenditure for all properties for the year ended 31 December 2014. For valuation purposes, we have adopted the trading figures for the year ended 31 December 2014. Although in the great majority of cases we have adopted the

annualised figures for the year ended 31 December, 2014, as being indicative of maintainable future earnings, some adjustments have been made where appropriate.

The valuations are determined on the basis that the property, the title thereto and its use is not affected by any matter other than that mentioned in this report. Furthermore, it has been assumed that reasonable resources are available in negotiating the sale and exposing the property to the market.

In assessing the value of the subject properties we have generally considered two bases of valuation, being the Capitalisation of Net Income Approach and the Direct Comparison Approach.

Our assessments have been completed based on rental and investment metrics derived from comparable leasing and sales transactions.

6 ASSESSED INDIVIDUAL VALUES

The individual values assessed for each of the subject properties is as follows, and we refer to the summaries of each property attached to this letter.

Property	Address	
1	12-20 Divett Place (11-19 Roper Street), Adelaide SA	\$24,800,000
2	13-19 Bank Street, Adelaide SA	\$19,200,000
3	344 Queen Street, Brisbane QLD	\$3,100,000
4	Northbank Place, Flinders Street, Melbourne VIC	\$11,000,000
5	Watergate Car Park, 767 Bourke Street, Docklands VIC	\$7,800,000
6	2-6 Mundy Street, Bendigo VIC	\$1,200,000
7	360 St Kilda Road, Melbourne VIC	\$2,200,000
8	14 Stewart Street, Shepparton VIC	\$1,500,000
9	15 Langhorne Street, Dandenong VIC	\$1,700,000
10	Central Square, Dana Street, Ballarat VIC	\$3,300,000
11	9 Yarra Street, South Yarra VIC	\$5,500,000
12	521 Toorak Road, Toorak VIC	\$1,700,000
13	9-23 Watchorn Street, Hobart TAS	\$1,250,000
14	9 Fenton Street, Devonport TAS	\$200,000
15	1A, 10 Willis Street, Launceston TAS	\$630,000
16	133 Melville Street, Hobart TAS	\$775,000
17	Quadrant Plaza, 94-98 York Street, Launceston TAS	\$4,500,000
18	124 York Street, Launceston TAS	\$1,600,000
	Total	\$91,955,000

All dollar figures quoted in this report are in Australian Dollars (AUD).

7 PARTIAL INTEREST – 76.05% INTEREST

We have also been requested to assess a 76.05% interest in the subject properties, being the advised interest attributable to Far East Consortium International Limited. We have not sighted any formal documentation detailing this interest and have therefore relied on advice provided by Far East Consortium International Limited. Our valuation is undertaken on the critical condition that this interest attributable to Far East Consortium International Limited is accurate with our report qualified to this extent, and we reserve the right to reassess our partial interest values if the interest is found to differ.

Historical sales evidence would suggest that the value of a partial interest is in direct proportion to the interest being acquired, however there is very little, if any, evidence of recent partial interest transactions that could be compared with the subject properties.

In the absence of any definitive data, we have adopted a partial interest value in line with the exact mathematical proportion, being a notional apportionment as follows:

Property Address	Calculation	Partial Interest Value
1 12–20 Divett Place (11–19 Roper Street), Adelaide SA	\$24,800,000 x 76.05%	\$18,860,400
2 13–19 Bank Street, Adelaide SA	\$19,200,000 x 76.05%	\$14,601,600
3 344 Queen Street, Brisbane QLD	\$3,100,000 x 76.05%	\$2,357,550
4 Northbank Place, Flinders Street, Melbourne VIC	\$11,000,000 x 76.05%	\$8,365,500
5 Watergate Car Park, 767 Bourke Street, Docklands VIC	\$7,800,000 x 76.05%	\$5,931,900
6 2–6 Mundy Street, Bendigo VIC	\$1,200,000 x 76.05%	\$912,600
7 360 St Kilda Road, Melbourne VIC	\$2,200,000 x 76.05%	\$1,673,100
8 14 Stewart Street, Shepparton VIC	\$1,500,000 x 76.05%	\$1,140,750
9 15 Langhorne Street, Dandenong VIC	\$1,700,000 x 76.05%	\$1,292,850
10 Central Square, Dana Street, Ballarat VIC	\$3,300,000 x 76.05%	\$2,509,650
11 9 Yarra Street, South Yarra VIC	\$5,500,000 x 76.05%	\$4,182,750
12 521 Toorak Road, Toorak VIC	\$1,700,000 x 76.05%	\$1,292,850
13 9–23 Watchorn Street, Hobart TAS	\$1,250,000 x 76.05%	\$950,625
14 9 Fenton Street, Devonport TAS	\$200,000 x 76.05%	\$152,100
15 1A, 10 Willis Street, Launceston TAS	\$630,000 x 76.05%	\$479,115
16 133 Melville Street, Hobart TAS	\$775,000 x 76.05%	\$589,387
17 Quadrant Plaza, 94–98 York Street, Launceston TAS	\$4,500,000 x 76.05%	\$3,422,250
18 124 York Street, Launceston TAS	\$1,600,000 x 76.05%	\$1,216,800
Total		\$69,931,777

All dollar figures quoted in this report are in Australian Dollars (AUD).

For the purpose of this valuation we have not been provided with a copy of the co-owners agreement. On this basis therefore, we have assumed that the co-owners agreement does not unduly penalise any of the part owners (other than what could be considered reflective, typical and in line with their proportionate interest).

In the event of a partial interest in this asset being offered to the market, we are unable at this point in time to provide any clear indication of a likely selling period. We would anticipate however a marketing period equal to or greater than the sale of a 100% interest.

8 PECUNIARY INTEREST

We hereby certify that each valuer and the valuation firm does not have any direct, indirect or financial interest in the property or clients described herein that would conflict with the proper Valuation of the property.

The various Valuers have at least five years of experience in the valuation of property of a similar type to the subject and is authorised by law to practise as a Valuer in the States of Victoria, Tasmania and Queensland.

9 COMPANY QUALIFICATIONS

This report has been countersigned to verify the report is issued by this Company. Any reliance upon this report should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before mentioned manner.

This valuation is prepared for **asset reporting purposes** on the specific instructions of **Ms. Deanne Pointon of Care Park Pty Ltd, on behalf of Far East Consortium International Limited**. This report can be relied upon by **Far East Consortium International Limited** for **asset reporting purposes** and should not be relied upon by any other party whether for this purpose or otherwise.

The assessed valuation amounts are the gross realisation of the market values of the 18 properties assuming an orderly sale in a timely manner, and do not represent an in-one-line value nor any forced sale element.

Savills Valuations Pty Ltd accepts no responsibility to third parties nor does it contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying upon this report and we reserve our rights to review the contents in the event that our consent is sought.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the expiration of three months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

10 VALUATION

Having regard for the specific nature of our instructions and for the assumptions and conditions outlined within the body of this report, we have assessed the total value of the 18 subject properties as at 31 May 2015 to be:

100% Interest

\$91,955,000 (*)

(Ninety One Million Nine Hundred and Fifty Five Thousand Dollars)

76.05% Interest

\$69,931,777(*)

(Sixty Nine Million Nine Hundred and Thirty One Thousand Seven
Hundred and Seventy Seven Dollars)

(*) This valuation amount is exclusive of a Goods and Services Tax.

(*) All dollar figures quoted in this report (including the valuation certificates attached to this letter) are in Australian Dollars (AUD)

(*) This valuation amount is gross realisation of the 18 properties, and does not represent an in-online value nor any forced sale element.

Valuation certificates for each property are attached to this letter, which incorporate the individual values for each property.

Prepared by **Savills Valuations Pty Ltd.**

Francis Lynch AAPI
Certified Practising Valuer
Director

Adrian Rowse AAPI
Certified Practising Valuer
Director

Lawrence Devine
Certified Practising Valuer
Director

VALUATION CERTIFICATE – PROPERTY 1

12-20 Divett Place (11-19 Roper Street), Adelaide, SA

Property Description	The subject property comprises an automated multi-level car park facility across 9 levels providing a total of 715 bays. The building was constructed circa 1989 and is set on an allotment of 2,057m ² extending between Roper Street and Divett Place within the Adelaide CBD and approximately 700 metres east of the Adelaide GPO.
Title Details	Certificate of Title Volume 5335 Folio 342, more particularly described as Allotment 5 on Deposited Plan 25203
Registered Owner	Roper Street Carpark Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	Capital City Zone (Policy Area 13) under the provisions of the City of Adelaide Planning Scheme
Site Area	2,057 m ²
Car Bays	715 (Multi-deck)
Other Lettable Areas	N/A
Tenancy Details	The property is managed and owner-operated by Care Park.
Valuation Approach	Primary — Capitalisation Approach Secondary — Direct Comparison
Date of Inspection	9 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$1,926,629 per annum (\$2,695/bay)
Equated Market Yield	7.77%
Core Capitalisation Rate	7.75%
\$Rate/Bay	\$34,685/bay (derived)

\$Rate /m² of Improved Site Area	\$12,056/m ²
Adopted Market Value	\$24,800,000 (*) (Twenty Four Million Eight Hundred Thousand Dollars)
Prepared by	Adrian Rowse AAPI Certified Practising Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 2

13-19 Bank Street & 12-20 Blyth Street, Adelaide, SA

Property Description	The subject property comprises a 24 hour automated multi-level car park facility across 7 split levels providing a total of 330 bays and being accessed from Blyth Street, together with a retail arcade split across 3 levels with access from Bank Street. The building was constructed circa 1980 and is set on an allotment of 1,888m ² extending between Blyth Street and Bank Street within the Adelaide CBD and approximately 500 metres north-west of the Adelaide GPO.
Title Details	<p>Certificate of Title Volume 5234 Folio 147, more particularly described as Allotment 2 on Filed Plan 128587</p> <p>Certificate of Title Volume 5234 Folio 148, more particularly described as Allotment 1 on Deposited Plan 19233</p> <p>Certificate of Title Volume 5215 Folio 282, more particularly described as Allotment 2 on Deposited Plan 19233</p>
Registered Owner	19 Bank Street Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Capital City” Zone (Policy Area 13) under the provisions of the City of Adelaide Planning Scheme
Site Area	1,888 m ²
Car Bays	330 Multi-deck
Other Lettable Areas	1,658.7 m ²
Tenancy Details	The car park component of the property is managed and owner-operated by Care Park. The retail component is leased to a number of tenants on lease terms ranging from 2 to 5 years. There is also one vacancy of 251.05 m ² to the upper level, and a tenancy of 127.12 m ² to the upper level which is owner-occupied by Care Park.

Valuation Approach	Primary – Capitalisation Approach Secondary – Direct Comparison
Date of Inspection	9 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$1,547,041 per annum
Equated Market Yield	7.90%
Core Capitalisation Rate	7.75%
\$Rate/Bay	\$58,182/bay (derived)
\$Rate /m² of Improved Site Area	\$10,169/m ²
Adopted Market Value	\$19,200,000 (*) (Nineteen Million Two Hundred Thousand Dollars)
Prepared by	Adrian Rowse AAPI Certified Practicing Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 3

Lot 1/344 Queen Street, Brisbane, QLD

Property Description	The subject property comprises a basement level car park situated beneath a 21 storey strata office building. Lot 1 (“subject property”) comprises 17m ² office and exclusive use common property of 18 single reserved bays and 33 unreserved tandem bays over a single level. The car park is operated by Care Park Pty Ltd under ‘License Agreement’ of the Body Corporate for 344 Queen Street CTS 4885. The building was constructed circa 1967 and is located within the main financial precinct of the Brisbane CBD.
Title Details	Lot 1 BUP 10464, Certificate of Title Ref: 704708811
Registered Owner	344 Queen Carpark Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	PC1 Principal Centre under the provisions of the Brisbane City Plan 2014.
Site Area	Parent Site 1,352.0 m ²
Car Bays	51 Basement
Other Lettable Areas	17 m ² office ²
Tenancy Details	The property is managed and operated by a related company to the owner.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	1 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$257,769 per annum
Equated Market Yield	8.02%
Core Capitalisation Rate	8.00%
\$Rate/Bay	\$60,784/bay (derived)

\$Rate /m² of Improved Site Area	N/A
Adopted Market Value	\$3,100,000 (*) (Three Million One Hundred Thousand Dollars)
Prepared by Lawrence	Devine AAPI Registered Valuer No.2562 Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 4

Northbank Place, Flinders Street, Melbourne, VIC

Property Description	The subject property forms part of a multi-deck strata title commercial car park containing 141 separately titled commercial bays, together with 55 at grade car bays held within a leasehold interest. The multi-deck car park component of subject property is arranged over 5 split levels. A ground floor lift lobby servicing the car park is held on Title.
Title Details	The subject property partly comprises a freehold interest comprising Lot 11C on Plan on Subdivision 549363A, being more particularly described within Certificate of Title Volume 11131 Folio 008. Together with the freehold interest, A Leasehold interest has been granted over an area under the adjoining rail overpass comprising approximately 55 car bays. The Leasehold, provided by the State Government of Victoria, is held via a Sub- Lease until November 2047 with 2 further terms of 21 years and 1 further term of 7 years.
Registered Owner	Care Park Group Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Capital City” Zone (CCA1) under the provisions of the City of Melbourne Planning Scheme
Site Area	Parent Site 2,648 m ² Leasehold area unknown.
Car Bays	196 bays total. 141 multi-deck Freehold and 55 at-grade Leasehold.
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	8 April 2015

Date of Valuation	31 May 2015
Net Income Used for Valuing	\$714,620 per annum (\$3,646/bay)
Equated Market Yield	6.50%
\$Rate/Bay	\$56,122/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$11,000,000 (*) (Eleven Million Dollars)
Prepared by	Francis Lynch AAPI Certified Practicing Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 5

Watergate, 767 Bourke Street, Docklands, VIC

Property Description	The subject property forms part of a multi-deck strata title commercial car park containing 113 separately titled commercial bays. The subject property is arranged over 3 split levels.
Title Details	Certificate of Title Volume 10925 Folios 766-878, more particularly described as Lots 1C-12C, 15C-43C, 46C-49C, 54C-121C on Plan of Subdivision 501391P.
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Docklands” Zone (DZ3) under the provisions of the City of Melbourne Planning Scheme
Site Area	Parent site 7,794 m ²
Car Bays	113 Basement
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	8 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$492,205 per annum (\$4,355/bay)
Equated Market Yield	6.31%
\$Rate/Bay	\$69,027/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$7,800,000 (*) (Seven Million Eight Hundred Thousand Dollars)

Prepared by

Francis Lynch AAPI
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 6

2-6 Mundy Street, Bendigo, VIC

Property Description	The subject property comprises a bitumen sealed ‘pay and display’ at grade car park with concrete kerbing, stormwater drainage and modest landscaping. A post and steel beam fence has been installed to Mundy Street while steel fencing has been constructed on the south-eastern and south-western boundaries.
Title Details	Certificate of Title Volume 10488 Folios 371-374, more particularly described as Lots 1-4 on Title Plan 16318R Certificate of Title Volume 8294 Folio 508, more particularly described as Lot 1 on Title Plan 583703V
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Commercial 1” Zone (C1Z) under the provisions of the City of Greater Bendigo Planning Scheme
Site Area	1,359 m ²
Car Bays	44 At Grade
Other Lettable Areas	Nil
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Direct Comparison.
Date of Inspection	27 March 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$25,330 per annum (\$575/bay)
Equated Market Yield	2.11%
\$Rate/Bay	\$27,273/bay (derived)
\$Rate /m² of Site Area	\$883/m ² (derived)

Adopted Market Value **\$1,200,000 (*)**
(One Million Two Hundred Thousand Dollars)

Prepared by Francis Lynch AAPI
 Certified Practicing Valuer
 Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

To any party relying on this report we advise that this Valuation Certificate summary must be read in conjunction with the attached report of which this summary forms part. This Valuation Certificate summary should not be relied upon in isolation for any purposes.

VALUATION CERTIFICATE – PROPERTY 7

360 St Kilda Road, Melbourne, VIC

Property Description	The subject property forms part of a strata title commercial car park containing 84 separately titled commercial bays and two ancillary lots. The subject property is arranged over a single basement level.
Title Details	Certificate of Title Volume 10600 Folios 089-175, more particularly described as Lot 1D-86D on Plan of Subdivision 419703E
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Commercial 1” Zone (B5Z) under the provisions of the City of Port Phillip Planning Scheme
Site Area	Parent site 4,108 m ²
Car Bays	84 Basement
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	9 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$148,322 per annum (\$1,765/bay)
Equated Market Yield	6.74%
\$Rate/Bay	\$26,190/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$2,200,000 (*) (Two Million Two Hundred Thousand Dollars)

Prepared by

Francis Lynch AAPI
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 8

14-40 Stewart Street, Shepparton, VIC

Property Description	The subject property comprises a multi-deck commercial car park providing 326 bays constructed over 9 split levels. Bays on levels lower ground to 5 are fully enclosed while bays on levels 6 and 7 are exposed bays. The car park is operated by Care Park Pty Ltd on a “pay and display” basis. We understand the improvements were completed in 1971.
Title Details	Certificate of Title Volume 4963 Folio 501, Volume 4281 Folio 195, Volume 4437 Folio 356, Volume 8800 Folio 444 and Volume 8632 Folio 508.
Registered Owner	Shepparton Car Park Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Commercial 1” Zone (C1Z) under the provisions of the City of Greater Shepparton Planning Scheme
Site Area	2,716 m ²
Car Bays	326 Multi-deck
Other Lettable Areas	Nil
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	27 March 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$126,997 per annum (\$389/bay)
Equated Market Yield	8.47%
\$Rate/Bay	\$4,601/bay (derived)
\$Rate /m² of Improved Site Area	\$552/m ² (derived)

Adopted Market Value **\$1,500,000 (*)**
(One Million Five Hundred Thousand Dollars)

Prepared by Francis Lynch AAPI
 Certified Practicing Valuer
 Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 9

15-23 Langhorne Street, Dandenong, VIC

Property Description	<p>The subject property is a multi-deck strata commercial car park containing 82 bays held under freehold Title, together with 86 bays held under a long term licence from Body Corporate No 1 Plan No SP32395Q. The licensed bays are located undercover on the second storey while the freehold bays are exposed and located on the third storey.</p> <p>The subject property forms part of ‘Dandenong Hub’ and ‘Hub Arcade’, a strata titled mixed use retail and commercial development within the Dandenong CBD.</p>
Title Details	Certificate of Title Volume 9902 Folio 822, more particularly described as Unit 67 on Strata Plan 32395Q together with a Licence Agreement between Body Corporate No 1 Plan No SP32395Q and Care Park Properties Pty Ltd for 99 years from 6 October 1989.
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Comprehensive Development” Zone (CDZ2) under the provisions of the City of Greater Dandenong Planning Scheme
Site Area	Parent site 4,591 m ² .
Car Bays	168 bays total. 82 Freehold and 86 bays under Licence at cost of \$1 per annum.
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	9 April 2015

Date of Valuation	31 May 2015
Net Income Used for Valuing	\$155,447 per annum (\$925/bay)
Equated Market Yield	9.14%
\$Rate/Bay	\$10,119/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$1,700,000 (*) (One Million Seven Hundred Thousand Dollars)
Prepared by	Francis Lynch AAPI Certified Practicing Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 10

Central Square, Dana Street, Ballarat, VIC

Property Description	<p>The subject property comprises a multi-deck commercial car park providing 502 bays constructed over 12 split levels. Bays on levels 1 to 10 are fully enclosed while bays on levels 11 and 12 are exposed bays. The car park is operated by Care Park Pty Ltd on a “pay and display” basis. We understand the improvements were completed in 1981.</p> <p>The subject property is adjacent to a 23,558 m² shopping centre and within the Ballarat Central Business District.</p>
Title Details	Certificate of Title Volume 10951, more particularly described as Lot 1 on Plan of Subdivision 529677N
Registered Owner	Ballarat Central Car Park Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	Commercial 1 Zone (C1Z) under the provisions of the City of Ballarat Planning Scheme
Site Area	2,898.0 m ²
Car Bays	502 Multi-deck
Other Lettable Areas	N/A
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	27 March 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$264,910 per annum (\$527/bay)
Equated Market Yield	8.03%
\$Rate/Bay	\$6,574/bay (derived)

\$Rate /m² of Site Area	\$1,139/m ² (derived)
Adopted Market Value	\$3,300,000 (*) (Three Million Three Hundred Thousand Dollars)
Prepared by	Francis Lynch AAPI Certified Practicing Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 11

9 Yarra Street, South Yarra, VIC

Property Description	The subject property forms part of a multi-deck strata title commercial car park containing 109 separately titled commercial bays. The subject property is arranged over 5 split levels.
Title Details	Certificate of Title Volume 11141 Folio 450, more particularly described as Lot 2 on Plan of Subdivision 611552C
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Commercial 1” Zone (C1Z) under the provisions of the City of Stonnington Planning Scheme
Site Area	Parent site 1,273 m ²
Car Bays	109 Multi-deck
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	9 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$302,290 per annum (\$2,773/bay)
Equated Market Yield	5.50%
\$Rate/Bay	\$50,458/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$5,500,000 (*) (Five Million Five Hundred Thousand Dollars)

Prepared by

Francis Lynch AAPI
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 12

521 Toorak Road, Toorak, VIC

Property Description	The subject property forms part of a strata title commercial car park containing 48 separately titled commercial bays. The subject property is arranged over a single basement level.
Title Details	Certificate of Title Volume 10896 Folios 196-230, 328-330 and 394-403, more particularly described as Lot 12-49 and 58-67 on Plan of Subdivision 527035S.
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Commercial 1” Zone (C1Z) under the provisions of the City of Stonnington Planning Scheme
Site Area Parent site	3,745 m ²
Car Bays	48 Basement
Other Lettable Areas	Nil
Tenancy Details	The property is managed and owner operated Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	9 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$109,475 per annum (\$2,280/bay)
Equated Market Yield	6.44%
\$Rate/Bay	\$35,417/bay (derived)
\$Rate /m² of Site Area	N/A
Adopted Market Value	\$1,700,000 (*) (One Million Seven Hundred Thousand Dollars)

Prepared by

Francis Lynch AAPI
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 13

9-23 Watchorn Street, Hobart, TAS

Property Description	The subject property comprises a bitumen sealed at grade car park providing 35 lined car parking bays. The car park is operated partly on a pay and display basis and partly on a reserved/monthly basis. The property is located within the Hobart CBD.
Title Details	Certificate of Title Volume 29586 Folio 4, more particularly described as Lot 4 on Plan of 29586
Registered Owner	Care Park Group Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Central Commercial and Administrative” Zone under the provisions of the City of Hobart Planning Scheme 1982
Site Area	820 m ²
Car Bays	35 at-grade
Other Lettable Areas	N/A
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation	Approach Capitalisation Approach and Direct Comparison.
Date of Inspection	8 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$93,292 per annum (\$2,665/bay)
Equated Market Yield	7.46%
\$Rate/Bay	\$35,714/bay (derived)
\$Rate /m² of Site Area	\$1,524/m ²

Adopted Market Value **\$1,250,000 (*)**
(One Million Two Hundred and Fifty Thousand Dollars)

Prepared by **Adrian Rowse AAPI**
Certified Practicing Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 14

9 Fenton Street, Devonport, TAS

Property Description	The subject property comprises a part concrete and part gravel paved site utilised as a car park, providing 23 at-grade car parking bays. The property is operated as a pay and display facility, with 2 ticket machines situated to the front of the site. The subject property is located on the corner of Fenton Street and Stewart Street, within Devonport, and is within approximately 200 metres of the main retail centre of the town.
Title Details	Certificate of Title Volume 129295 Folio 1, more particularly described as Lot 1 on Plan 129295
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“General Residential” Zone under the provisions of the City of Devonport Interim Planning Scheme 2013
Site Area	615 m ²
Car Bays	23 at-grade
Other Lettable Areas	N/A
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Direct Comparison.
Date of Inspection	7 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$10,198 per annum (\$443/bay)
Equated Market Yield	5.10%
\$Rate/Bay	\$8,696/bay (derived)

\$Rate /m² of Site Area	\$325/m ²
Adopted Market Value	\$200,000 (*) (Two Hundred Thousand Dollars)
Prepared by	Adrian Rowse AAPI Certified Practising Valuer Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 15

1A/10 Willis Street, Launceston, TAS

Property Description	The subject property comprises a bitumen paved commercial car park providing 36 atgrade bays, and forming part of a strata titled development. The car park is predominantly operated on a pay and display basis with portion (2 bays) on a reserved/monthly basis. The subject property is located within the north-eastern sector of the Launceston CBD.
Title Details	Certificate of Title Volume 156397 Folio 1, more particularly described as Lot 1 on Strata Plan 156397
Registered Owner	Care Park Properties Pty Ltd, a non-wholly subsidiary of the Group
Zoning	“Urban Mixed Use” Zone under the provisions of the Launceston Interim Planning Scheme 2015 which was gazetted on 22 April 2015 and effective from 29 April 2015.
Site Area	511 m ²
Car Bays	36 at-grade
Other Lettable Areas	N/A
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	7 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$55,265 per annum (\$1,535/bay)
Equated Market Yield	8.77%
\$Rate/Bay	\$17,500/bay (derived)

**\$Rate /m² of Improved
Site Area**

\$1,233/m²

Adopted Market Value

**\$630,000 (*)
(Six Hundred and Thirty Thousand Dollars)**

Prepared by

Adrian Rowse AAPI
Certified Practicing Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 16

133 Melville Street, Hobart, TAS

Property Description	The subject property comprises a bitumen sealed at grade car park providing 40 lined car parking bays. The car park is operated on a permanent/reserved parking basis. The property is located within the fringe of the Hobart CBD, and is within a Residential 1 zone.
Title Details	Certificate of Title Volume 242159 Folio 1, more particularly described as Lot 1 on Plan 242159
Registered Owner	Care Park Properties Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Residential 1” Zone (Inner West Hobart Precinct No. 25A) under the provisions of the City of Hobart Planning Scheme 1982
Site Area	889 m ²
Car Bays	40 at-grade
Other Lettable Areas	N/A
Tenancy Details	The car park is managed and owner-operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	8 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$63,169 per annum (\$1,579/bay)
Equated Market Yield	8.15%
\$Rate/Bay	\$19,375/bay (derived)
\$Rate /m² of Site Area	\$872/m ²

Adopted Market Value **\$775,000 (*)**
(Seven Hundred and Seventy Five Thousand Dollars)

Prepared by **Adrian Rowse AAPI**
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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VALUATION CERTIFICATE – PROPERTY 17

Quadrant Plaza, 94-98 York Street, Launceston, TAS

Property Description	<p>The subject property comprises an automated multi-level car park facility across 8 split levels providing a total of 370 bays and being accessed from York Street, together with a retail/commercial component at ground level including a single level building to the rear of the car parking station.</p> <p>The building was constructed circa 1987 and is set on an allotment of 3,333 m² within the Launceston CBD in Tasmania.</p>
Title Details	<p>Certificate of Title Volume 31824 Folio 1, more particularly described as Lot 1 on Plan 31824</p> <p>Certificate of Title Volume 34252 Folio 2, more particularly described as Lot 2 on Plan 31824</p>
Registered Owner	Quadrant Plaza Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Central Business” Zone under the provisions of the Launceston Interim Planning Scheme 2015 which was gazetted on 22 April 2015 and effective from 29 April 2015.
Site Area	3,333.8 m ²
Car Bays	370 Multi-deck
Other Lettable Areas	1,706 m ²
Tenancy Details	<p>The car park component of the property is managed and owner-operated by Care Park.</p> <p>The retail/commercial component is leased to a number of tenants on lease terms ranging from 1 to 6 years. There are 2 vacancies of 84 m² and 74 m² respectively, and a tenancy of 75 m² is owner-occupied by Care Park.</p>
Valuation Approach	Capitalisation Approach and Direct Comparison.

Date of Inspection	7 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$385,630 per annum
Equated Market Yield	8.00%
Core Capitalisation Rate	8.00%
\$Rate/Bay	\$12,162/bay (derived)
\$Rate /m² of Improved Site Area	\$1,350/m²
Adopted Market Value	\$4,500,000 (*) (Four Million Five Hundred Thousand Dollars)
Prepared by	Adrian Rowse AAPI Certified Practicing Valuer Savills Valuations Pty Ltd

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VALUATION CERTIFICATE – PROPERTY 18**124 York Street, Launceston, TAS**

Property Description	The subject property comprises a “pay and display” bitumen sealed at grade car park providing 49 lined car parking bays. The property is located within the Launceston CBD.
Title Details	Certificate of Title Volume 33521 Folio 1, more particularly described as Lot 1 on Diagram 33521
Registered Owner	124 York Street Pty Ltd, a non-wholly owned subsidiary of the Group
Zoning	“Central Business” Zone under the provisions of the Launceston Interim Planning Scheme 2015 which was gazetted on 22 April 2015 and effective from 29 April 2015.
Site Area	1,252 m ²
Car Bays	49 at-grade
Other Lettable Areas	N/A
Tenancy Details	The property is managed and owner-operated by Care Park.
Valuation Approach	Capitalisation Approach and Direct Comparison.
Date of Inspection	7 April 2015
Date of Valuation	31 May 2015
Net Income Used for Valuing	\$136,222 per annum (\$2,780/bay)
Equated Market Yield	8.51%
\$Rate/Bay	\$32,653/bay (derived)
\$Rate /m² of Site Area	\$1,278/m ²
Adopted Market Value	\$1,600,000 (*) (One Million Six Hundred Thousand Dollars)

Prepared by

Adrian Rowse AAPI
Certified Practising Valuer
Savills Valuations Pty Ltd

(*) This valuation amount is exclusive of a Goods and Services Tax

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SCHEDULE OF PROPERTIES

Care Park Car Park Portfolio as at 31 May 2015

Valuation Summary

Property	Address	
South Australia		
1	12-20 Divett Place (11-19 Roper Street), Adelaide SA	\$24,800,000
2	13-19 Bank Street, Adelaide SA	\$19,200,000
Queensland		
3	344 Queen Street, Brisbane QLD	\$3,100,000
Victoria		
4	Northbank Place, Flinders Street, Melbourne VIC	\$11,000,000
5	Watergate Car Park, 767 Bourke Street, Docklands VIC	\$7,800,000
6	2-6 Mundy Street, Bendigo VIC	\$1,200,000
7	360 St Kilda Road, Melbourne VIC	\$2,200,000
8	14 Stewart Street, Shepparton VIC	\$1,500,000
9	15 Langhorne Street, Dandenong VIC	\$1,700,000
10	Central Square, Dana Street, Ballarat VIC	\$3,300,000
11	9 Yarra Street, South Yarra VIC	\$5,500,000
12	521 Toorak Road, Toorak VIC	\$1,700,000
Tasmania		
13	9-23 Watchorn Street, Hobart TAS	\$1,250,000
14	9 Fenton Street, Devonport TAS	\$200,000
15	1A, 10 Willis Street, Launceston TAS	\$630,000
16	133 Melville Street, Hobart TAS	\$775,000
17	Quadrant Plaza, 94-98 York Street, Launceston TAS	\$4,500,000
18	124 York Street, Launceston TAS	\$1,600,000
	Total	\$91,955,000

All dollar figures quoted in this report are in Australian Dollars (AUD).

(i) PROPERTIES LOCATED IN HAMILTON, NEW ZEALAND

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

Ref: 17825.1/MJS

Executive Summary***Knox Street Car Park, 41 Hood Street, Hamilton******Brief Description***

The subject property comprises a purpose built car parking facility that provides 443 parking spaces. A split level design allows for minimal ramp requirements and an efficient layout of parking spaces. Constructed in the mid 2000s, the building is of a good quality and has a strong position within the Hamilton CBD.

The facility is currently owned and operated by Care Park New Zealand, who purchased the property from the Hamilton City Council in September 2014. We understand that the performance of the car park at the time of purchase was of a poor standard, with the performance expected to increase over the short term through effective management.

Additional income is received from a telecommunications tenant as well as advertising signage.

The property occupies a strong position within the southern portion of the CBD, benefiting from good levels of demand from both casual and permanent occupiers.

All dollar figures quoted in this summary are in New Zealand dollars.

Instruction & Approach

Instructing Party	Care Park New Zealand Properties Limited
Reliant Party/s	Far East Consortium International Limited
Purpose of Report	Financial Reporting Purposes
Basis of Valuation	Market Value – Subject to existing occupancy arrangements

Interest Valued	100%
Date of Valuation	31 May 2015
Date of Inspection	8 July 2015
Valuation Limitations	Having regard to International Valuation Standards 2013 (IVS), this valuation summary does not meet minimum reporting requirements in order to be suitable for financial reporting purposes. In accordance with our instructions, we have provided this summary to be included within Financial Reports for Far East Consortium International Limited. The values concluded herein are to be read in conjunction with our full valuation report which has been prepared in accordance with valuation standards for financial reporting purposes.

Property Details

Title Investigation	We have not been provided with copies of the title documents relating to the property but have undertaken searches with Land Information New Zealand. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken. In the course of our valuation, we have relied to a considerable extent on the information given by the Group.
Tenure	Freehold
Proprietary Owner	Care Park New Zealand Properties Limited, a non-wholly owned subsidiary of the Group
Land Area	3,448 m ² (Limited as to Parcels)
Lettable Area	443 bays
Zoning	The property is zoned Commercial Services under the Hamilton City Council's Operative District Plan.

SWOT Analysis

Strengths/Opportunities	<ul style="list-style-type: none"> A relatively passive tightly held long term asset with minimal requirements for ongoing capital expenditure.
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- Strong position within the southern CBD that will continue to benefit from the ongoing development in the area.
- Given the limited number of parking facilities within the CBD, there is strong demand from operators to lease parking facilities. On a vacant possession basis, downtime and leasing costs are expected to be minimal.
- Revenue growth is forecast to be relatively strong over the short term as the facility has been poorly managed over the past five years.
- Potential to develop the ground level open parking area.
- The Hood Street frontage has been developed in a way that would facilitate the development of retail tenancies with the minimal loss of parking spaces.
- The ongoing development within the Hamilton CBD will restrict the supply of parking whilst increasing demand.

Weakness/Threats

- Whilst there is good demand for casual parking, the property is situated outside of the core CBD.
- Revenue is directly related to the performance of the car park facility. Rental income can fluctuate based on micro and macro economic events.
- There are a number of competing developments within proximity to the subject building.
- Macro economic events can have a significant impact on the performance of a car park.

Source of Information

Care Park New Zealand Properties Limited has provided the following information which has been adopted in the valuation process:

- Current and forecast trading information.

- Lease documentation.
- Outgoings budget.
- Seismic report.

Key Data & Assumptions

Total Gross Contract Income \$400,439 per annum

Outgoings \$85,442 per annum

Assessed Net Passing Rental \$314,997 per annum

Net Market Rental \$315,037 per annum

Letting Up Allowance 4 months

Tenant Retention 75%

Average Growth 4.67% per annum

Market Yield 8.00%

Discount Rate 10.00%

Terminal Yield 8.25%

Valuation Conclusions

Adopted Value (100%) \$5,200,000
(Five Million Two Hundred Thousand Dollars)
We confirm that our valuation is provided in New Zealand Dollars.

Interest Attributable to the Group (76.05%) \$3,954,600

Passing Initial Yield 6.06%

Equivalent Market Yield 7.98%

Internal Rate of Return (including capex) 9.92%

Direct Comparison Rate	\$11,738 per car park
Hypothetical Apportionment:	In accordance with NZ IAS 40 we provide a hypothetical apportionment between land and improvement value as follows:
	Land Value: \$2,400,000
	Improvement Value: <u>\$2,800,000</u>
Total Value	<u>\$5,200,000</u>

Tax Liability: We make the following comments at the request of Far East Consortium International Limited which is unusual from a New Zealand reporting perspective but these comments are made in good faith as they do not influence our concluded values.

- We understand that the subject property is most likely to be defined as a 'going concern' under the relevant provisions of current Goods and Services Tax (GST) legislation in New Zealand. Accordingly, a hypothetical sale of the interest valued herein is assumed to be GST free and our valuation is exclusive of any GST. Colliers takes no responsibility for the liability or otherwise for the payment of GST on an assumed sale of the interest valued herein.
- In addition, any market rentals, passing rentals from existing leases and outgoings amounts are also assumed to be exclusive of GST unless stated to the contrary.

Valuer/s

MATT SNELGROVE/BBS, MPINZ, ANZIV
Registered Valuer
Director/Valuation & Advisory Services

GARETH STRAWBRIDGE/B.Prop
Registered Valuer

Colliers International New Zealand Limited
69 Victoria Street, Hamilton Central,
Hamilton 3204
PO Box 19093, Hamilton 3244
Phone No. (07) 839 2536

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

Appendices

1. *Valuation Qualifications and Conditions*

Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any)**.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation it has been assumed that hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).
5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.
6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
7. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

8. In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.
9. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
10. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.

11. Confidentiality and Disclaimer of Liability

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

12. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.

13. PINZ: Valuation Standards & Guidance Notes

All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand, where the definition of "Market Value" is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

14. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

15. Valuation Basis

Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.

(ii) PROPERTIES LOCATED IN WELLINGTON, NEW ZEALAND

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

Ref: 16264/AW

Executive Summary***16 Mowbray Street, CBD Core, Wellington******Brief Description***

The Mowbray Carparking Building was erected in 1990 and comprises 6 split-levels of low stud carparking having its main access and egress via Mowbray Street.

There are 253 carparking spaces within the building, 53 of which are the subject of this valuation. The subject parks are located within the lower levels of the building, and are owner operated carparks. We have therefore treated these as vacant within our valuation.

Mowbray Street is a short cul-de-sac off Bolton Street, situated to the northern periphery of the Wellington Core CBD. This location is within close proximity to the Government precinct.

All dollar figures quoted in this summary are in New Zealand dollars.

Instruction & Approach

Instructing Party	Care Park New Zealand Properties Limited
Reliant Party/s	Far East Consortium International Limited
Purpose of Report	Financial Reporting Purposes
Basis of Valuation	Market Value – Subject to existing occupancy arrangements
Interest Valued	53 carparks
Date of Valuation	31 May 2015
Date of Inspection	8 July 2015

Valuation Limitations Having regard to International Valuation Standards 2013 (IVS), this valuation summary does not meet minimum reporting requirements in order to be suitable for financial reporting purposes. In accordance with our instructions, we have provided this summary to be included within Financial Reports for Far East Consortium International Limited. The values concluded herein are to be read in conjunction with our full valuation report which has been prepared in accordance with valuation standards for financial reporting purposes.

Property Details

Title Investigation We have not been provided with copies of the title documents relating to the property but have undertaken searches with Land Information New Zealand. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken. In the course of our valuation, we have relied to a considerable extent on the information given by the Group.

Tenure Stratum in Freehold

Proprietary Owner Care Park New Zealand Properties Limited, a non-wholly owned subsidiary of the Group

Land Area 1,532 m²

Number of Parks 53 Carparks

Zoning Central Area (Wellington City District Plan)

SWOT Analysis

Strengths/Opportunities

- Prominent location, within close proximity to the northern CBD core and Government precinct
- Popular value range
- Well suited to Carpark operator
- Low maintenance structure
- Good seismic integrity

Weakness/Threats

- Ownership structure (less than preferred)
- Subject parks are situated within lower levels of the building
- Low clearance height
- Increased competition upon completion of 56 The Terrace
- Increased use of public transport as means of travel
- Relatively flat rental market for this type of use

Source of Information

Care Park New Zealand Properties Limited has provided the following information which has been adopted in the valuation process:

- Current and forecast trading information.
- Lease documentation.
- Outgoings budget.
- Seismic report.

Key Data & Assumptions

Total Gross Income	\$151,580
Outgoings	\$49,481
Assessed Net Market Rental	\$102,099
Letting Up Allowance	1 month
Tenant Retention	75%
Average Growth	2.26% per annum
Market Yield	6.50%

Discount Rate	8.00%
Terminal Yield	6.75%
<i>Valuation Conclusions</i>	
Adopted Value (100%)	\$1,570,000 (One Million Five Hundred and Seventy Thousand Dollars) We confirm that our valuation is provided in New Zealand Dollars
Interest Attributable to the Group (76.05%)	\$1,193,985 (One Million One Hundred and Ninety Three Thousand, Nine Hundred and Eighty Five Dollars)
Passing Initial Yield	6.49%
Equivalent Market Yield	6.49%
Internal Rate of Return (including capex)	8.04%
Direct Comparison Rate	\$29,623 per park
Tax Liability:	<p>We make the following comments at the request of Far East Consortium International Limited which is unusual from a New Zealand reporting perspective but these comments are made in good faith as they do not influence our concluded values.</p> <ul style="list-style-type: none"> We understand that the subject property is most likely to be defined as a 'going concern' under the relevant provisions of current Goods and Services Tax (GST) legislation in New Zealand. Accordingly, a hypothetical sale of the interest valued herein is assumed to be GST free and our valuation is exclusive of any GST. Colliers takes no responsibility for the liability or otherwise for the payment of GST on an assumed sale of the interest valued herein. In addition, any market rentals, passing rentals from existing leases and outgoing amounts are also assumed to be exclusive of GST unless stated to the contrary.

Valuer/s

NATHAN WOLFE/Bcom (VPM), MPINZ
Registered Valuer

JACQUELINE FORSHAW/BBS (VPM)
Registered Valuer

Colliers International
(Wellington Valuation) Limited
Level 10, 36 Customhouse Quay,
Wellington
PO Box 2747, Wellington 6140
Phone No. (04) 473 4413

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

Appendices**1. Valuation Qualifications and Conditions**

Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any)**.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation it has been assumed that hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).

5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.
6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
7. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.
8. In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.
9. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
10. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.

11. Confidentiality and Disclaimer of Liability

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

12. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.

13. PINZ: Valuation Standards & Guidance Notes

All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand, where the definition of "Market Value" is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

14. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

15. Valuation Basis

Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.



Raine & Horne International
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)

Perpetual 99, Jalan Raja Muda Abdul Aziz

50300 Kuala Lumpur, Malaysia

Telephone : 03-2698 0911

Fax : 03-2691 1959

Email : rhizpkl@streamyx.com

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

31 August 2015

Dear Sirs,

RE:

- A) AN UNDER ON-GOING REFURBISHMENT WORK OF A THIRTEEN STOREY BOUTIQUE HOTEL (154-ROOMS), KUALA LUMPUR;
- B) LOT NOS. 600 AND 619 HELD UNDER TITLE NOS. GRN 47373 AND 27523 RESPECTIVELY, MUKIM KERLING, DISTRICT OF ULU SELANGOR, STATE OF SELANGOR;
- C) 1,688 CAR PARK BAYS WITHIN BASEMENT LEVEL LOCATED WITHIN PHASE 1 AND PHASE 2 PLAZA DAMAS JALAN SRI HARTAMAS 1 SRI HARTAMAS 50480 KUALA LUMPUR;
- D) AN ON-GOING CONSTRUCTION OF A THIRTY (30) STOREY SERVICE APARTMENT (252 ROOMS) BUILDING, ONE (1) LEVEL OF BASEMENT MOTORCYCLE PARK FIVE (5) STOREY OF CAR PARK PODIUM WITH CAR LIFT FACILITY ONE (1) STOREY OF MEZZANINE FLOOR, GROUND FLOOR CUM LOBBY AREA AND SERVICES LEVEL BELOW ROOF TOP TO BE KNOWN AS DORSETT RESIDENCES, BUKIT BINTANG, KUALA LUMPUR;
- E) A GROUND FLOOR SHOP TOGETHER WITH ACCESSORY PARCELS LOCATED WITHIN A FOURTEEN (14) STOREY SERVICED APARTMENT BUILDING BEARING POSTAL ADDRESS UNIT K-0-7, DORCHESTER SERVICED APARTMENT, BLOCK K, PLAZA DAMAS, JALAN SRI HARTAMAS 1, 50480 KUALA LUMPUR; AND

- F) A TWENTY FIRST FLOOR SERVICED APARTMENT UNIT TOGETHER WITH ACCESSORY PARCELS LOCATED WITHIN A TWENTY NINE (29) STOREY SERVICED APARTMENT BUILDING BEARING POSTAL ADDRESS UNIT NO. B-21-15, WINDSOR TOWER SERVICED APARTMENT, NO. 62, JALAN SRI HARTAMAS 1, SRI HARTAMAS, 50480 KUALA LUMPUR

1. INSTRUCTION

In pursuance to the instruction for us to carry out market valuations of the above captioned properties held by Far East Consortium International Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) situated in 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 31 May 2015 (referred to as the “valuation date”).

2. BASIS OF VALUATION

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

3. METHOD OF VALUATION

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

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

4. ASSUMPTIONS

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

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

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

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

5. TITLE INVESTIGATION

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

6. LIMITING CONDITIONS

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

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

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

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

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

7. CURRENCY

The Market Values of all the subject properties are stated in Ringgit Malaysia ("RM"). The exchange rate adopted in our valuation is RM1= HK\$2.12, which was the approximate prevailing exchange rates as at the date of valuation.

8. TAXATION

According to the information provided by the Group, the potential tax liability of properties located in Malaysia which would arise on disposal of properties A, B and D is income tax at 25% and properties C, E and F is real property gain tax at 5%. The likelihood of the relevant tax liability being crystallized is remote as the Group has no plan for the disposal of the subject properties.

9. REMARKS

The properties' interests have been valued as follows:-

Properties' Interests	Market Values as at 31 May 2015
A. JALAN JATI, OFF JALAN IMBI, KUALA LUMPUR	
An under on-going refurbishment work of a thirteen (13) storey boutique hotel (154 rooms).	
* On an 'As is' basis i.e. An under on-going refurbishment work of a 154-room boutique hotel (52% completed).	*RM31,100,000.00
** ON THE ASSUMPTION THAT THE ON-GOING REFURBISHMENT WORK OF A 154-ROOM BOUTIQUE HOTEL IS FULLY COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE.	**RM42,100,000.00
B. KERLING, SELANGOR	
Two (2) contiguous parcels of agriculture land.	RM9,300,000.00
C. PHASE 1 AND PHASE 2, PLAZA DAMAS, KUALA LUMPUR	
1,688 car park bays within basement levels.	RM50,640,000.00

**D. DORSETT RESIDENCES, BUKIT BINTANG,
KUALA LUMPUR**

- * An on-going construction (12.49% completed) of a thirty (30) storey serviced apartment (252 rooms) building, one (1) level of basement motorcycle park, five (5) storey of car park podium with car lift facility, one (1) storey of mezzanine floor, ground floor cum lobby area and services level below roof top to be known as Dorsett Residences, Bukit Bintang. *RM44,700,000.00
- ** ON THE ASSUMPTION THAT THE ON-GOING CONSTRUCTION OF A THIRTY (30) STOREY SERVICE APARTMENT (252 ROOMS) BUILDING, ONE (1) LEVEL OF BASEMENT MOTORCYCLE PARK, FIVE (5) STOREY OF CAR PARK PODIUM WITH CAR LIFT FACILITY, ONE (1) STOREY OF MEZZANINE FLOOR, GROUND FLOOR CUM LOBBY AREA AND SERVICES LEVEL BELOW ROOF TOP TO BE KNOWN AS DORSETT RESIDENCES IS FULLY COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE. **RM313,227,280.00
- *** ONE HUNDRED AND FIFTY THREE (153) UNSOLD SERVICE APARTMENT UNITS LOCATED WITHIN THE ABOVE MENTIONED BUILDING ON THE ASSUMPTION THAT THESE ARE FULLY COMPLETED AND THE BUILDING IS ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE. ***RM190,932,350.00

**E. DORCHESTER SERVICED APARTMENT,
BLOCK K, PLAZA DAMAS, KUALA LUMPUR**

- A ground floor shop together with an accessory parcel within a fourteen (14) storey serviced apartment building. RM2,250,000.00

**F. WINDSOR TOWER SERVICED APARTMENTS,
KUALA LUMPUR**

A twenty first floor serviced apartment unit together with accessory parcels (414 car park bays) located within a twenty nine (29) storey serviced apartment building. RM13,190,000.00

TOTAL MARKET VALUE

On an 'As is' basis i.e.

(A) TO (F) WHEREBY

- (A) An under on-going refurbishment work of a 154-room boutique hotel (52% completed). land (5.945 acres).
- (D) An on-going construction (12.49% completed) of a thirty (30) storey serviced apartment (252 rooms) building, one (1) level of basement motorcycle park, five (5) storey of car park podium with car lift facility, one (1) storey of mezzanine floor, ground floor cum lobby area and services level below roof top to be known as Dorsett Residences, Bukit Bintang (excluding ***)

TOTAL MARKET VALUE

RM151,180,000.00

(A) TO (F) WHEREBY

ON THE ASSUMPTION THAT

- (A) THE ON-GOING REFURBISHMENT WORK OF A 154-ROOM BOUTIQUE HOTEL IS FULL Y COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE.**

(D) THE ON-GOING CONSTRUCTION OF A THIRTY (30) STOREY SERVICED APARTMENT (252 ROOMS) BUILDING, ONE (1) LEVEL OF BASEMENT MOTORCYCLE PARK, FIVE (5) STOREY OF CAR PARK PODIUM WITH CAR LIFT FACILITY, ONE (1) STOREY OF MEZZANINE FLOOR, GROUND FLOOR CUM LOBBY AREA AND SERVICES LEVEL BELOW ROOF TOP TO BE KNOWN AS DORSETT RESIDENCES IS FULLY COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE. (excluding ***)

TOTAL MARKET VALUE

RM430,707,280.00

“IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION (S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION (S) THAT IS/ARE NOT YET OR FULLY REALISED”.

We enclosed herewith our summary of valuation and valuation certificates.

Yours faithfully,

For and on behalf of

Raine & Horne International Zaki + Partners Sdn. Bhd.

Noraini Binti Jaafar Sidek

Registered Valuer (MIS)

Reg. No. V-523

Note: Noraini Binti Jaafar Sidek is a Member of the Malaysia Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 20 years experience in valuation properties in Malaysia for listed companies.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015
A.	An under on-going refurbishment work of a thirteen (13) storey boutique hotel (154 rooms). The subject property is sited fronting Jalan Jati, Off Jalan Imbi, Kuala Lumpur.	Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property. Total built up area: 57,576 sq. ft. The site area is 886 sq. metres (9,537 sq. ft.). The land is of freehold interest and designated for commercial. The land is held under Lot No. 1292 Seksyen 67 held under Title No. GRN 76023, Town and District of Kuala Lumpur, Wilayah Persekutuan KL. Annual government rent is RM4,076.00.	The subject property is currently unoccupied due to under on-going refurbishment work *RM31,100,000.00 **RM42,100,000.00

Notes:

* On an 'As is' basis i.e. An under on-going refurbishment work of a 154-room boutique hotel (52% completed).

** **ON THE ASSUMPTION THAT THE ON-GOING REFURBISHMENT WORK OF A 154-ROOM BOUTIQUE HOTEL IS FULLY COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE.**

"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTION (S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION (S) THAT IS/ARE NOT YET OR FULLY REALISED"

- (i) The ownership of the property is Fortune Plus (M) Sdn. Bhd, a wholly owned subsidiary of the Group.
- (ii) The land is charged to PUBLIC BANK BERHAD vide Presentation No. 26237/2014 dated 22nd July 2014.
- (iii) The subject property is situated in an area zoned for residential use.

- (iv) The subject property has been granted with a conditional Development Order for the following development dated 25 May 2012:

The land conversion of category of land use from residential to commercial and conversion of the building use from an existing ten (10) storey (24 units) apartment building to a thirteen (13) storey boutique hotel (154 rooms) comprising a car parking area at basement floor, hotel lobby and car parking area at ground floor, a water tank room at first floor and hotel rooms at second to twelfth floors.

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

Certificate of Real Estate Ownership

Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015
B.	Two (2) contiguous parcels of agriculture land. The subject properties are situated within an area known as Kerling, Selangor.	Public utilities such as electricity, main water supply and telecommunication lines are not connected to the subject properties. Total Site Area: 42.29 hectares/104.50 acres. The total net site area of the subject properties after less for provision of river and river reserve is approximately 38.11 hectares/94.16 acres. The subject properties are of freehold interest and free from encumbrances. These two (2) parcels of contiguous land are held under Lot Nos. 600 and 619 held under Title Nos. GRN 47373 and 27523 respectively, Mukim Kerling, District of Ulu Selangor, State of Selangor. The annual government rent for Lot Nos. 600 and 619 are RM652.00 and RM677.00 respectively.	The subject properties are vacant, undeveloped and overgrown with shrubs, bushes and wild trees.	RM9,300,000.00

Notes:

- (i) The ownership of the properties is Focus Venue Sdn Bhd. (Company No. 109695-U), a non-wholly owned subsidiary of the Group.
- (ii) The lands are free from encumbrances.
- (iii) The subject properties are zoned for agriculture use.
- (iv) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership

Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015
C. A total of one thousand six hundred and eighty eight (1,688) car park bays within Phase 1 and Phase 2, Plaza Damas, Jalan Sri Hartamas 1, Sri Hartamas, 50480 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>1,099 car park bays - located within two (2) levels of basement car park of Phase 1, Plaza Damas namely B1 and B2.</p> <p>589 car park bays - located within seven (7) levels of basement split car park of Phase 2, Plaza Damas namely Level P1a, P1, P2a, P2, P3a, P3 and P3b.</p> <p>Strata Title Details: Geran 59225/M1/B1/1 and Geran 59225/M1/1/2</p> <p>It is held under Lot No. 56228,. Mukim of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur.</p> <p>The tenure is freehold.</p>	The subject property is opened for season and daily rental at per hour basis.	RM50,640,000.00

Notes:

- i) The ownership of the property is Target Term Sdn. Bhd. (Company No. 109695-U), a wholly owned subsidiary of the Group.
- ii) The property is situated within an area zoned for commercial use.
- iii) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership

Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015	
D.	An on-going construction of a thirty (30) storey service apartment (252 rooms) building, one (1) level of basement motorcycle park, five (5) storey of car park podium with car lift facility, one (1) services level below roof top to be known as Dorsett Residences, Bukit Bintang.	Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property. The subject site is a parcel of commercial development land which is fairly rectangular in shape and generally flat in physical terrain. Site Area: 1,311 sq. metres (14,111 sq. ft.) The land is of freehold interest and to be used for commercial buildings only. The land is held under PT 153 Section 67 held under Title No. HSD 119631, Town and District of Kuala Lumpur, Wilayah Persekutuan KL. Annual government rent:- RM6,031.00.	The subject property is being developed. As at 1st April 2015, the completion stage of the on-going construction of building is 12.49%.	*RM44,700,000.00 **RM313,227,280.00 ***RM190,932,350.00

Notes:

- * An on-going construction (12.49% completed) of a thirty (30) storey service apartment (252 rooms) building, one (1) level of basement motorcycle park, five (5) storey of car park podium with car lift facility, one (1) storey of mezzanine floor, ground floor cum lobby area and services level below roof top to be known as Dorsett Residences, Bukit Bintang.
- ** ON THE ASSUMPTION THAT THE ON-GOING CONSTRUCTION OF A THIRTY (30) STOREY SERVICE APARTMENT (252 ROOMS) BUILDING, ONE (1) LEVEL OF BASEMENT MOTORCYCLE PARK, FIVE (5) STOREY OF CAR PARK PODIUM WITH CAR LIFT FACILITY, ONE (1) STOREY OF MEZZANINE FLOOR, GROUND FLOOR CUM LOBBY AREA AND SERVICES LEVEL BELOW ROOF TOP TO BE KNOWN AS DORSETT RESIDENCES IS FULLY COMPLETED AND ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE.
- *** ONE HUNDRED AND FIFTY THREE (153) UNSOLD SERVICE APARTMENT UNITS LOCATED WITHIN THE ABOVE MENTIONED BUILDING ON THE ASSUMPTION THAT THESE ARE FULLY COMPLETED AND THE BUILDING IS ISSUED WITH A CERTIFICATE OF COMPLETION AND COMPLIANCE.

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

- i) The ownership of the property is DORSETT BUKIT BINTANG SDN. BHD, a wholly owned subsidiary of the Group.
- ii) The title (previously GRN 36268, Lot 470) is presently charged to PUBLIC BANK BERHAD vide Presentation Nos. 7216/2011 registered on 23 March 2011.
- iii) The subject property is situated within an area zoned for commercial use.
- iv) The subject property has been issued with the latest and approved development order (DO) as per the Amended Development Order letter issued by Jabatan Perancang Bandar, DBKL bearing Reference No. (30)d/m.DBKL.JPRB.3604/54 BHG. dated 21 August 2013.
- v) Certificate of Real Estate Ownership Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015
E.	A ground floor shop with accessory parcels within a fourteen (14) storey serviced apartment building bearing postal address Unit K-0-7, Dorchester Service Apartment, Block K, Plaza Damas, Jalan Sri Hartamas 1, 50480 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>The gross floor area of the subject property is: 31 sq. metres (333 sq. ft.).</p> <p>The age of building is about 11 years.</p> <p>The subject property is held under Lot No. 56228, Hakmilik Strata Title No. Geran 59225/M1-C/3/48, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.</p> <p>The Accessory Parcels (62 car park bays) are A2 – A63 & A99.</p> <p>The tenure is freehold interest.</p>	Tenant occupied until 30th April 2014. A new tenancy agreement is yet to be signed.	RM2,250,000.00

Notes:

- i) The registered owner of the property is Target Term Sdn. Bhd, a wholly owned subsidiary of the Group.
- ii) The subject property is free from encumbrances.
- iii) The subject property is zoned for commercial use.
- iv) The status of the title and licenses in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership

Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 31 May 2015
F. A twenty first floor serviced apartment unit 1 with accessory parcels located within a twenty nine (29) storey serviced apartment building bearing postal address Unit No. B-21-15, Windsor Tower Service Apartments, No. 62, Jalan Sri Hartamas 1, Sri Hartamas, 50480 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>The floor area is 112 sq. metres (1,206 sq. ft.).</p> <p>The age of building is about 11 years.</p> <p>The subject property is held under Lot No. 56228, Hakmilik Strata Title No. Geran 59225/M1-B/22/513, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.</p> <p>The Accessory Parcels (414 car park bays) are A1 – A414.</p> <p>The tenure is freehold interest.</p>	The property is currently unoccupied and held for owner occupation.	RM13,190,000.00

Notes:

- i) The registered owner of the property is Malaysia Land Properties Sdn. Bhd., which is the developer of the project and is wholly-owned by Prestige Aspect Sdn Bhd., a company owned by Mr. David Chiu as to approximately 63.57%.

Based on a Sale and Purchase Agreement dated 18th March 2009, the ownership of the property is Target Term Sdn. Bhd. (Company No. 109695- U), a wholly owned subsidiary of the Group.

- ii) The subject property is free from encumbrances.
- iii) The subject property is zoned for commercial use.
- iv) The status of the title in accordance with the information provided by the Group are summarized as follows:

Certificate of Real Estate Ownership

Yes

From: HVS — London Office
7-10 Chandos Street
Cavendish Square
London W1G 9DQ
UK



31 August 2015

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

Dear Sirs

Re: Portfolio Valuation

In accordance with your request, we herewith submit our Valuation Report pertaining to the property held in the United Kingdom (the 'UK'). HVS has valued the property acting as an independent valuer and our report has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, January 2014. The subject of the Valuation Report is the freehold interest in the property held by the Far East Consortium International Limited ('the Company') and/or its subsidiaries associated with companies in the UK (together referred to as 'the Group'). We can confirm that we have carried out inspections, made relevant enquiries and searches and obtained further information that we consider necessary for the purpose of providing you with our opinion of the value of the property as at 31 May 2015 (the 'Date of Valuation').

The objective of the Valuation Report is to represent the property's Market Values.

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.'*¹

Unless otherwise stated, we have assumed that the properties valued are owned outright.

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

¹ Royal Institution of Chartered Surveyors' (2014) *RICS Valuation – Professional Standards*

Taxation

According to the information provided by the Group, the gain on disposal of properties located in the United Kingdom is not subject to Capital Gains Tax. This is because of the assets holding structures (Offshore – British Virgin Islands and Isle of Man) the Group employed following tax structuring advice from its tax advisors.

Method of Study

The methodology used to develop this Valuation Report, in respect to the hotel assets, has been based on the market research and valuation techniques set out in the textbooks written by HVS for the American Institute of Real Estate Appraisers and the Appraisal Institute, and entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ *Hotels & Motels: Valuations and Market Studies*,⁶ and *Hotel Market Analysis and Valuation: International Issues and Software Applications*.

For the other real estate asset classes, we have generally valued the properties either by direct comparison method by making reference to comparable sales transactions as available in the relevant market or, when appropriate, by capitalising the rental income.

Scope of the Valuation Report

All information was collected and analysed by the staff of HVS. Information such as historical operating statements, site plans, tenure, identification of land and buildings, completion date of buildings, development schemes, construction schedules and costs, floor plans and areas, site plans and areas, and so forth was supplied by the Group. We have assumed that this information is accurate and we have therefore relied upon it without undertaking any independent verification. We have investigated comparable transaction data in the market area and have spoken with buyers, sellers, brokers, property developers and public officials.

Property Rights Valued

The property rights valued are the freehold interest in the land and the premises, including the furniture, fixtures and equipment (FF&E).

² Stephen Rushmore (1978) *The Valuation of Hotels and Motels*, American Institute of Real Estate Appraisers, Chicago.

³ Stephen Rushmore (1983) *Hotels, Motels and Restaurants: Valuations and Market Studies*, American Institute of Real Estate Appraisers, Chicago.

⁴ Stephen Rushmore (1990) *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*, American Institute of Real Estate Appraisers, Chicago.

⁵ Stephen Rushmore (1992) *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*, Appraisal Institute, Chicago.

⁶ Stephen Rushmore and Erich Baum (2001) *Hotels & Motels: Valuations and Market Studies*, Appraisal Institute, Chicago

Title Investigation

We have not been provided with copies of the title documents relating to the properties and have relied on the information provided to us by the Group.

Property Inspection

Luisa Russell, a Senior Associate at HVS, inspected the exterior, and wherever possible, the interior of the properties between 6 May 2015 and 16 June 2015. No structural survey has been made, but in the course of our inspections we did not note any serious defects. However, we are not able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. For the properties that are under future development, we have not carried out any soil investigations to determine the sustainability of soil conditions and services for any future development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Currency

All financial data, projections and opinions of value are expressed in pounds sterling (£).

We hereby certify that we have no undisclosed interest in the properties, and that our employment and compensation are not contingent upon our findings and valuation. In the following pages, we present the summary of valuations and our valuation certificates.

These opinions of value and the entire report are subject to the comments made throughout and to all assumptions and limiting conditions set out herein.

Yours faithfully
HVS – LONDON OFFICE

Luisa Russell
Senior Associate

Charles Human, MRICS
Managing Director

LR:CH:lf
HVS No: 2015050140

ADDENDUM 1 – VALUATION SUMMARY

Table A1-1 – Summary of Values

Property	Capital Value in Existing State as at 31 May 2015
Group II – Properties held by the Group for future development in the UK	
1. Mixed-use development Tower Hamlets – 64, 66, 68 & 70 Manilla Street, 1 & 2 Manilla Co, land & buildings south of Manilla Street, London E14 8LG & 50 Marsh Wall, London E14 & 63-69 Manilla Street, London E14	£38,000,000

ADDENDUM 2 – VALUATION CERTIFICATE

Table A2-2 Group II – Properties held by the Group for future development in the UK

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 31 May 2015
1. Mixed-use development Tower Hamlets – 64, 66, 68 & 70 Manilla Street, 1 & 2 Manilla Co, land & buildings south of Manilla Street, London E14 8LG & 50 Marsh Wall, London E14 & 63-69 Manilla Street, London E14	<p>The property comprises sites on Manilla Street and Marsh Wall that are currently suitable for various uses. We understand that these sites are unoccupied with a total site area of 3,324 m².</p> <p>We have been provided with a scheme that envisages a development of residential (approx. NIA 45,347 m² - 605 apartments plus 126 affordable units), hotel (approx. NIA 4,986 m² - 273 rooms) and retail (approx. NIA 930 m²), as well as a school and health centre for public use, to be completed by the end of 2019.</p>	The Hotel will be operated by Dorsett upon opening in Jan. 2020. The residential apartments will be sold in phases from 2016 onwards, and the retail units will be let upon completion. The school and health centre are part of FEC's contribution under section 106 of the Town and Planning Act of 1990 and have no value associated to them.	£38,000,000

Notes:

1. The registered owner of the property is Drakar Ltd, a subsidiary of the Group.
2. We have assumed that planning approval would be secured for the above mentioned development.
3. We have recently valued the site by the residual land value method as at 31 May 2015 for the Group at £38,000,000 for asset evaluation purposes.

ADDENDUM 3 – STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

1. This Valuation Report has been prepared for the Group. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.
2. The freehold interest in the various properties has been valued as at 31 May 2015.
3. We have checked our records, and there are no conflicts of interest with regard to our preparing this Valuation Report.
4. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The properties are valued as though free and clear unless otherwise stated.
5. There are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for these conditions or any engineering that may be required to discover them.
6. We have not considered the existence of potentially hazardous materials used in the construction or maintenance of the buildings, such as asbestos, urea formaldehyde foam insulation or Polychlorinated Biphenyl ('PCBs'). We are thus unable to report that the properties are free from risk in this respect and have assumed that any investigation would not reveal the presence of hazardous materials. The valuers are not qualified to detect these substances and urge the client to retain an expert in this field if desired. We have not investigated whether the site is or has been in the past contaminated and are therefore unable to warrant that the properties are free from any defect or risk in this respect. Our report is therefore based on the assumption that the land is not contaminated and any specialist investigation would not disclose the presence of any adverse conditions on the sites or within the buildings.
7. No survey of the properties has been made by the valuers and no responsibility is assumed in connection with such matters. Sketches, pictures, maps and other exhibits are included to assist the reader in visualising the property. It is assumed that the use of the land and premises is within the boundaries of the properties described and that there is no encroachment or trespass unless noted.
8. This Valuation Report is not a structural survey and we therefore value on the assumption that the properties are of sound design and construction, and free from any inherent defects. Aside from our routine enquiries, no detailed inspection or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose. We express no opinion or advice upon the condition of uninspected parts and our report should not be read as making any implied representation or statement about such parts. We have assumed that the properties are in a good state of repair and condition and that there are no outstanding items of expenditure required.

9. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by HVS is assumed to be true and correct. No liability resulting from misinformation can be assumed by the valuers.
10. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering any of the properties.
11. It is assumed that the properties are in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including an alcohol licence where appropriate) and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser.
12. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless specified otherwise.
13. This report may not be reproduced in whole or in part without the permission of the valuers, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without the prior written consent of the valuers.
14. We are not required to give testimony or attendance in court by reason of this valuation without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
15. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report it is recommended that the reader contact the valuers.
16. The valuers take no responsibility for any events, conditions or circumstances affecting the properties' Market Values that take place subsequent to either the Date of Value contained in this report or the date of our field inspection, whichever occurs first. 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.'*
17. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability and Market Value. The financial forecasts presented in this valuation assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results and value estimate.

18. The estimated operating results presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the properties, it is expected that the prices of rooms, food, beverages and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity most numbers presented in this report have been rounded to the nearest tenth. Thus, these figures may be subject to small rounding errors in some cases.
20. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations to provide value indications, the final estimate of value is subjective and may be influenced by the valuers' experience and other factors not specifically set forth in this report.
21. The freehold title to any of the properties would be readily marketable without any undue restrictions, covenants or conditions except where otherwise noted.
22. The relationship between pounds sterling and other major world currencies remains constant as of the date of our field work.
23. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.
24. We have specifically excluded the value of any antiques or items of fine art.
25. We have made no allowance for the repayment of any grants, which might arise in the event of development or disposal, deemed or otherwise.
26. The valuation contained within this report has been undertaken in accordance with the standards set out by the Royal Institution of Chartered Surveyors. Compliance with these standards may be subject to monitoring under the institution's conduct and disciplinary regulations. This valuation has been overseen by Charles Human, MRICS. Charles has been a director at HVS since 1994, specialising in the valuation and sale of hotels and all forms of leisure properties.

27. Charles Human and Arlett Oehmichen are registered valuers and HVS is regulated by the RICS. As such, HVS has a complaints handling procedure, the details of which are available by contacting the London office.
28. The fee for this assignment has been set at a fixed rate, as described in our Letter of Engagement.
29. Throughout this report, 'HVS' refers to the trading name of SG&R Valuation Services Company LLC, a United States of America limited liability company formed under the laws of the state of Delaware, the members of which are SR London Corporation and HEI International Inc (both United States of America corporations formed under the laws of the state of Delaware). The operations of SG&R Valuation Services Company in the UK are managed by HEI International Inc.

1. RESPONSIBILITY STATEMENT

The issue of this Scheme Document has been approved by the directors of FEC, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Dorsett Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by Dorsett or its directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Dorsett Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by Dorsett or its directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (i) The authorised share capital of FEC was HK\$400,000,000 divided into 4,000,000,000 FEC Shares of par value of HK\$0.10, and the issued share capital of FEC was HK\$191,758,679.80 divided into 1,917,586,798 FEC Shares of par value of HK\$0.10. All of FEC Shares rank equally in all respects as regards to rights to capital, dividends and voting.
- (ii) The authorised share capital of the Offeror was US\$50,000 divided into 50,000 ordinary shares of par value of US\$1.00, and the issued share capital of the Offeror was US\$1.00 divided into 1 ordinary share of US\$1.00. All ordinary shares of the Offeror rank equally in all respects as regards to rights to capital, dividends and voting.

Since 31 March 2015, being the end of the last financial year of FEC:

- (i) by the reason of a director of FEC exercising the share options granted under the share option scheme adopted by FEC on 28 August 2002, FEC issued 3,400,000 FEC Shares on 3 July 2015; and
- (ii) by reason of a director of subsidiaries of FEC exercising the share options granted under the share option scheme adopted by FEC on 31 August 2012, FEC issued 450,000 FEC Shares on 3 July 2015.

The FEC Consideration Shares will rank pari passu in all respects with FEC Shares in issue as at the respective date of the allotment and issue of the FEC Consideration Shares.

3. DISCLOSURE OF INTERESTS IN DORSETT'S SECURITIES

For the purpose of paragraphs 3 and 4 in this Appendix V to the Scheme Document, "interested" and "interests" have the same meanings as ascribed to those terms in Part XV of the SFO.

Under the Share Option Scheme, Dorsett Options were granted to the undermentioned, who is an Offeror Concert Party, pursuant to which she is entitled to subscribe for Dorsett Shares and accordingly she is regarded as interested in the underlying Dorsett Shares. Details of the Dorsett Options held by her as at the Latest Practicable Date are as follows:

Name	Date of grant	Exercisable period	Number of Dorsett Options	Exercise price per Dorsett Share (HK\$)
CHIU Wendy	11 October 2010	<i>note (i)</i>	1,272,728	2.20

Note:

- (i) Divided into 5 tranches, exercisable as follows:

Tranche 1: from 11 October 2011 to 10 October 2014 lapsed during the year ended 31 March 2015
 Tranche 2: from 11 October 2012 to 10 October 2015
 Tranche 3: from 11 October 2013 to 10 October 2016
 Tranche 4: from 11 October 2014 to 10 October 2017 and
 Tranche 5: from 11 October 2015 to 10 October 2018.

As at the Latest Practicable Date, save as disclosed in this section headed "Disclosure of Interests in Dorsett's securities" in this Appendix V of this Scheme Document, the section headed "4. Disclosure of Interests" in Appendix VI to this Scheme Document and the section headed "8. Shareholding Structure of Dorsett and the Scheme Shares" in Part VII — Explanatory Statement of this Scheme Document:

- (a) the Offeror and FEC did not own any Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares;
- (b) none of the directors of the Offeror and FEC were interested in any Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares; and
- (c) no Offeror Concert Parties owned or controlled any Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares.

4. DISCLOSURE OF INTERESTS IN FEC'S SECURITIES

As at the Latest Practicable Date, the Offeror Concert Parties had the following interests in FEC Shares:

Name	Personal interests	Number of FEC Shares			Total	Percentage to the issued share capital of FEC as at the Latest Practicable Date
		Family interests	Corporate interests			
Tan Sri Dato' CHIU David	15,103,101	582,830	921,686,327	937,372,258	48.88%	
CHIU Dennis (<i>Note 1</i>)	3,266	–	3,598,984	3,602,250	0.19%	
CHIU Daniel (<i>Note 1</i>)	44,561	–	1,938,609	1,983,170	0.10%	
CHIU Dick	1,149,735	–	–	1,149,735	0.06%	
CHIU Derek	630,396	–	–	630,396	0.03%	
CHIU Duncan	58,790	–	–	58,790	0.00%	
HOONG Cheong Thard (<i>Note 2</i>)	6,243,033	404,245	–	6,647,278	0.35%	
CHAN Chi Hing	2,010,000	–	–	2,010,000	0.10%	
CHIU Deacon Te Ken (<i>Note 3</i>)	13,766,754	1,802,855	151,174,835	166,744,444	8.70%	

Notes:

- 3,877,218 FEC Shares are held by a holding company which is controlled by Mr. CHIU Dennis and Mr. CHIU Daniel. The 3,877,218 Shares are split in equal amount under Mr. CHIU Dennis and Mr. CHIU Daniel in the above table.
- 404,245 FEC Shares are jointly held by Mr. HOONG Cheong Thard with his spouse, Ms. TENG Pei Chun.
- Mr. CHIU Deacon Te Ken, who is father of Tan Sri Dato' CHIU David, passed away on 17 March 2015 and his interests in FEC Shares forms part of his estate.

As at the Latest Practicable Date, (i) save as disclosed in this section headed "Disclosure of Interests in FEC's securities" in this Appendix V of this Scheme Document and the section headed "4. Disclosure of Interests" in Appendix VI to this Scheme Document and (ii) save for the interest of certain directors of FEC and certain Offeror Concert Parties in the Offeror by reason of their interest in FEC Shares and FEC Options as disclosed in the aforesaid sections of this Scheme Document and the Offeror being a wholly-owned subsidiary of FEC:

- none of the directors of the Offeror and FEC were interested in any FEC Shares or shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of FEC Shares or the shares of the Offeror; and
- no Offeror Concert Parties owned or controlled any FEC Shares or shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of FEC Shares or the shares of the Offeror.

5. DEALINGS IN DORSETT'S SECURITIES AND FEC'S SECURITIES

For the purpose of this paragraph, "Relevant Period" refers to the period which commenced on the date falling six months prior to the Announcement Date and ended on the Latest Practicable Date.

During the Relevant Period, the Offeror had not dealt for value in any Dorsett Shares, Dorsett Options, FEC Shares, FEC Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares.

During the Relevant Period, some of the directors of the Offeror and some of the Offeror Concert Parties had dealt for value in Dorsett Shares and FEC Shares, the particulars of which are as follows:

Dealings in FEC Shares

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	10 December 2014	Buy	10,000,000	2.78
Tan Sri Dato' CHIU David	23 December 2014	Buy	1,000	2.58
		Buy	25,000	2.59
		Buy	35,000	2.60
		Buy	34,000	2.61
		Buy	43,000	2.62
		Buy	80,000	2.63
		Buy	183,000	2.64
		Buy	175,000	2.65
		Buy	189,000	2.66
		Buy	66,000	2.67
		Buy	148,000	2.68
		Buy	88,000	2.70
Tan Sri Dato' CHIU David	24 December 2014	Buy	1,000	2.77
		Buy	47,000	2.78
		Buy	110,000	2.79
		Buy	151,000	2.80
		Buy	28,000	2.81
		Buy	139,000	2.82
		Buy	246,000	2.83
		Buy	67,000	2.84

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	29 December 2014	Buy	40,000	2.86
		Buy	102,000	2.87
		Buy	106,000	2.88
		Buy	345,000	2.89
		Buy	622,000	2.90
		Buy	75,000	2.91
		Buy	160,000	2.92
Tan Sri Dato' CHIU David	30 December 2014	Buy	50,000	2.86
		Buy	118,000	2.87
		Buy	474,000	2.88
		Buy	62,000	2.89
		Buy	434,000	2.90
		Buy	287,000	2.91
		Buy	106,000	2.92
Tan Sri Dato' CHIU David	31 December 2014	Buy	68,000	2.91
		Buy	95,000	2.93
		Buy	16,000	2.94
		Buy	254,000	2.95
		Buy	38,000	2.97
		Buy	68,000	2.98
		Buy	43,000	2.99
		Buy	422,000	3.00
		Buy	402,000	3.01
Tan Sri Dato' CHIU David	2 January 2015	Buy	100,000	3.09
		Buy	163,000	3.10
		Buy	311,000	3.11
		Buy	443,000	3.12
		Buy	396,000	3.13
		Buy	12,000	3.14
Tan Sri Dato' CHIU David	5 January 2015	Buy	134,000	3.12
		Buy	362,000	3.13
		Buy	348,000	3.14
		Buy	215,000	3.15
		Buy	101,000	3.16
		Buy	122,000	3.17
		Buy	43,000	3.18

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	6 January 2015	Buy	58,000	3.07
		Buy	100,000	3.08
		Buy	48,000	3.09
		Buy	352,000	3.10
		Buy	17,000	3.12
		Buy	28,000	3.13
		Buy	155,000	3.14
Tan Sri Dato' CHIU David	7 January 2015	Buy	58,000	3.05
		Buy	97,000	3.06
		Buy	257,000	3.07
		Buy	186,000	3.08
		Buy	417,000	3.09
		Buy	488,000	3.10
		Buy	51,000	3.11
Tan Sri Dato' CHIU David	8 January 2015	Buy	32,000	3.06
		Buy	14,000	3.07
		Buy	21,000	3.08
		Buy	35,000	3.09
		Buy	199,000	3.10
		Buy	459,000	3.11
		Buy	584,000	3.12
		Buy	647,000	3.13
		Buy	443,000	3.14
		Buy	34,000	3.15
Tan Sri Dato' CHIU David	9 January 2015	Buy	61,000	3.06
		Buy	140,000	3.07
		Buy	42,000	3.08
		Buy	194,000	3.09
		Buy	303,000	3.10
		Buy	330,000	3.11
		Buy	505,000	3.12
		Buy	510,000	3.13
		Buy	81,000	3.14
		Buy	100,000	3.15
Buy	100,000	3.16		
Buy	100,000	3.17		

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	12 January 2015	Buy	11,000	3.07
		Buy	76,000	3.08
		Buy	186,000	3.09
		Buy	583,000	3.10
		Buy	643,000	3.11
		Buy	382,000	3.12
Tan Sri Dato' CHIU David	13 January 2015	Buy	22,000	3.06
		Buy	317,000	3.07
		Buy	223,000	3.08
		Buy	379,000	3.09
		Buy	710,000	3.10
		Buy	232,000	3.11
		Buy	356,000	3.12
		Buy	109,000	3.13
Tan Sri Dato' CHIU David	14 January 2015	Buy	68,000	3.09
		Buy	703,000	3.10
		Buy	456,000	3.11
		Buy	780,000	3.12
		Buy	548,000	3.13
		Buy	45,000	3.14
Tan Sri Dato' CHIU David	15 January 2015	Buy	19,000	3.12
		Buy	103,000	3.13
		Buy	560,000	3.14
		Buy	18,000	3.15
Tan Sri Dato' CHIU David	16 January 2015	Buy	4,000	3.09
		Buy	77,000	3.10
		Buy	39,000	3.11
		Buy	135,000	3.12
		Buy	198,000	3.13
		Buy	316,000	3.14
Tan Sri Dato' CHIU David	19 January 2015	Buy	9,000	3.07
		Buy	4,000	3.08
		Buy	174,000	3.09
		Buy	314,000	3.10
		Buy	340,000	3.11
		Buy	517,000	3.12
		Buy	392,000	3.13

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	20 January 2015	Buy	9,000	3.11
		Buy	242,000	3.12
		Buy	250,000	3.13
		Buy	587,000	3.14
		Buy	512,000	3.15
Tan Sri Dato' CHIU David	21 January 2015	Buy	100,000	3.11
		Buy	171,000	3.12
		Buy	729,000	3.13
		Buy	500,000	3.14
Tan Sri Dato' CHIU David	22 January 2015	Buy	7,000	3.11
		Buy	88,000	3.12
		Buy	328,000	3.13
		Buy	190,000	3.14
Tan Sri Dato' CHIU David	23 January 2015	Buy	72,000	3.09
		Buy	113,000	3.10
		Buy	297,000	3.11
		Buy	411,000	3.12
		Buy	407,000	3.13
Tan Sri Dato' CHIU David	26 January 2015	Buy	6,600,000	3.09
Tan Sri Dato' CHIU David	28 January 2015	Buy	32,000	3.05
		Buy	192,000	3.06
		Buy	205,000	3.07
		Buy	100,000	3.08
		Buy	66,000	3.09
Tan Sri Dato' CHIU David	29 January 2015	Buy	41,000	3.03
		Buy	240,000	3.04
		Buy	462,000	3.05
		Buy	173,000	3.06
Tan Sri Dato' CHIU David	30 January 2015	Buy	10,000	3.04
		Buy	150,000	3.05
		Buy	60,000	3.06
Tan Sri Dato' CHIU David	3 February 2015	Buy	11,000	2.99
		Buy	42,000	3.00
		Buy	325,000	3.01
		Buy	72,000	3.02
Tan Sri Dato' CHIU David	4 February 2015	Buy	4,000	3.00
		Buy	67,000	3.01
		Buy	153,000	3.02
		Buy	26,000	3.03

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	5 February 2015	Buy	18,000	3.00
		Buy	146,000	3.01
		Buy	282,000	3.02
		Buy	100,000	3.03
Tan Sri Dato' CHIU David	10 February 2015	Buy	11,000	2.89
		Buy	14,000	2.90
		Buy	25,000	2.91
		Buy	50,000	2.92
		Buy	23,000	2.93
		Buy	140,000	2.94
		Buy	87,000	2.95
		Buy	9,000	2.94
Tan Sri Dato' CHIU David	11 February 2015	Buy	4,000	2.95
		Buy	61,000	2.96
		Buy	26,000	2.97
		Buy	374,000	2.90
Tan Sri Dato' CHIU David	12 February 2015	Buy	246,000	2.92
		Buy	230,000	2.93
		Buy	19,000	2.90
		Buy	1,000	2.91
Tan Sri Dato' CHIU David	13 February 2015	Buy	13,000	2.92
		Buy	113,000	2.93
		Buy	53,000	2.94
		Buy	60,000	2.95
		Buy	67,000	2.96
		Buy	37,000	2.97
		Buy	3,000	2.96
		Buy	9,000	2.97
Tan Sri Dato' CHIU David	16 February 2015	Buy	35,000	2.98
		Buy	52,000	2.99
		Buy	57,000	3.00
		Buy	65,000	2.96
		Buy	15,000	2.97
Tan Sri Dato' CHIU David	17 February 2015	Buy	46,000	2.98
		Buy	107,000	2.99
		Buy	70,000	3.00

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	18 February 2015	Buy	23,000	2.95
		Buy	79,000	2.96
		Buy	59,000	2.97
		Buy	189,000	2.98
		Buy	53,000	2.99
		Buy	217,000	3.00
		Buy	245,000	3.01
		Buy	116,000	3.02
Tan Sri Dato' CHIU David	23 February 2015	Buy	58,000	2.96
		Buy	305,000	2.97
		Buy	372,000	2.98
		Buy	46,000	2.99
		Buy	50,000	3.03
Tan Sri Dato' CHIU David	24 February 2015	Buy	47,000	2.95
		Buy	116,000	2.96
		Buy	211,000	2.97
		Buy	114,000	2.98
Tan Sri Dato' CHIU David	25 February 2015	Buy	65,000	2.97
		Buy	200,000	2.98
Tan Sri Dato' CHIU David	26 February 2015	Buy	66,000	2.99
Tan Sri Dato' CHIU David	27 February 2015	Received FEC Shares as scrip dividend	8,277,710	3.018
Tan Sri Dato' CHIU David	5 March 2015	Buy	14,000	2.96
		Buy	36,000	2.97
Tan Sri Dato' CHIU David	6 March 2015	Buy	30,000	2.98
Tan Sri Dato' CHIU David	9 March 2015	Buy	32,000	2.94
		Buy	18,000	2.95
Tan Sri Dato' CHIU David	13 March 2015	Buy	3,151,681	2.95
Tan Sri Dato' CHIU David	19 March 2015	Buy	6,000	2.99
		Buy	14,000	3.00
		Buy	5,118,017	3.00
Tan Sri Dato' CHIU David	20 March 2015	Buy	5,118,017	3.00
Tan Sri Dato' CHIU David	23 March 2015	Buy	10,000	2.97
		Buy	56,000	2.98
		Buy	64,000	2.99
Tan Sri Dato' CHIU David	24 March 2015	Buy	49,000	2.95
		Buy	2,000	2.96
		Buy	49,000	2.97

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
Tan Sri Dato' CHIU David	25 March 2015	Buy	18,000	2.94
		Buy	368,000	2.95
		Buy	64,000	2.96
		Buy	39,782,024	2.97
Tan Sri Dato' CHIU David	26 March 2015	Buy	56,000	2.94
		Buy	61,000	2.95
Tan Sri Dato' CHIU David	27 March 2015	Buy	1,000	2.94
		Buy	19,000	2.95
Tan Sri Dato' CHIU David	30 March 2015	Buy	5,000	2.95
Tan Sri Dato' CHIU David	31 March 2015	Buy	72,000	2.95
		Buy	68,000	2.97
		Buy	8,000	3.03
Tan Sri Dato' CHIU David	9 April 2015	Buy	50,000	3.04
		Buy	62,000	3.05
		Buy	59,000	3.06
		Buy	65,000	3.07
		Buy	140,000	3.08
		Buy	122,000	3.09
		Buy	114,000	3.10
Tan Sri Dato' CHIU David	10 April 2015	Buy	25,000	3.06
		Buy	31,000	3.07
		Buy	11,000	3.08
		Buy	93,000	3.09
Tan Sri Dato' CHIU David	13 April 2015	Buy	54,000	3.08
		Buy	146,000	3.09
CHIU Dennis	27 February 2015	Received FEC Shares as scrip dividend	16,374	3.018
CHIU Dick	27 February 2015	Received FEC Shares as scrip dividend	11,316	3.018

Name	Date	Transaction	Number of FEC Shares dealt for value	Execution price per FEC Share (HK\$)
HOONG Cheong Thard	16 January 2015	Sell	50,000	3.08
		Sell	150,000	3.09
		Sell	150,000	3.10
		Sell	250,000	3.11
		Sell	50,000	3.12
		Sell	100,000	3.13
HOONG Cheong Thard	14 April 2015	Sell	100,000	3.07
		Sell	100,000	3.08
		Sell	100,000	3.09
		Sell	200,000	3.10
HOONG Cheong Thard	3 July 2015	Buy upon exercise of options	3,400,000	1.50
CHAN Chi Hing	6 January 2015	Sell	100,000	3.09
		Sell	100,000	3.10
		Sell	100,000	3.11
		Sell	100,000	3.12
		Sell	100,000	3.13
CHAN Chi Hing	13 January 2015	Sell	200,000	3.13
		Sell	90,000	3.14
CHIU Deacon Te Ken	27 February 2015	Received FEC Shares as scrip dividend	615,968	3.018
Investec Wealth & Investment Limited	13 January 2015	Sell on behalf of non-discretionary clients	660,000	3.05

Dealings in Dorsett Shares

Name	Date	Transaction	Number of Dorsett Shares dealt for value	Execution price per Dorsett Share (HK\$)
Tan Sri Dato' CHIU David	3 March 2015	Received Dorsett Shares as scrip dividend	127,976	1.332
CHIU Dennis	3 March 2015	Received Dorsett Shares as scrip dividend	318	1.332
CHIU Deacon Te Ken	3 March 2015	Received Dorsett Shares as scrip dividend	6,876	1.332
CHIU Margaret	3 March 2015	Received Dorsett Shares as scrip dividend	170	1.332

Confirmation

Save for the above, during the Relevant Period, none of the Offeror Concert Parties had dealt for value in any Dorsett Shares, Dorsett Options, FEC Shares, FEC Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares.

6. ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (a) no benefit would be given to any of the directors of Dorsett as compensation for loss of office or otherwise in connection with the Scheme and the Proposal;
- (b) no agreement, arrangement or understanding (including any compensation arrangement) had been made between the Offeror or any Offeror Concert Parties and any of the directors of Dorsett or recent directors of Dorsett, Dorsett Shareholders or recent Dorsett Shareholders having any connection with or was dependent upon the outcome of the Scheme and the Proposal;
- (c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any Offeror Concert Parties and any other person;

- (d) no person who owned or controlled Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares had irrevocably committed themselves to the Offeror or FEC to vote their Dorsett Shares in favour of or against the resolutions in respect of the Scheme at the Court Meeting or the Extraordinary General Meeting. FEC and the Offeror have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, those Dorsett Shares held by them will be voted in favour of the resolutions to be proposed at the Extraordinary General Meeting;
- (e) there were no Dorsett Shares, Dorsett Options or convertible securities, warrants, options or derivatives in respect of Dorsett Shares which the Offeror or any Offeror Concert Parties have borrowed or lent, save for borrowed securities (if any) which have been either on-lent or sold by the Offeror Concert Parties;
- (f) there were no FEC Shares or any convertible securities, warrants, options or derivatives in respect of FEC Shares which the Offeror or any Offeror Concert Parties have borrowed or lent, save for borrowed securities (if any) which have either been on-lent or sold by the Offeror Concert Parties;
- (g) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Scheme and the Proposal; and
- (h) the Offeror had no intention to transfer, charge or pledge any Dorsett Shares acquired pursuant to the Scheme to any other person and had no agreement, arrangement or understanding with any third party to do so.

7. MATERIAL LITIGATION

Save for the ongoing litigations set out in the paragraph headed “Contingent Liabilities” under the section headed “III. Indebtedness” of Appendix II to this Scheme Document, as at the Latest Practicable Date, there was no material litigation or claim of material importance known to the directors of FEC to be pending or threatened against any member of the FEC Group.

8. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the FEC Group) entered into by the FEC Group commencing the two years before the Announcement Date and up to and including the Latest Practicable Date.

9. MISCELLANEOUS

- (a) The Offeror is a company incorporated in British Virgin Islands with limited liability on 8 May 2015 and is a wholly-owned subsidiary of FEC. The registered office of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal place of business of the Offeror in Hong Kong is 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

- (b) The directors of the Offeror are Tan Sri Dato' CHIU David, Mr. HOONG Cheong Thard and Mr. CHAN Chi Hing.

- (c) FEC's predecessor was a Hong Kong company incorporated on 18 August 1972 under the name of Far East Consortium Limited. FEC was subsequently re-domiciled from Hong Kong to Cayman Islands on 3 April 1990. The registered office of FEC is P.O. Box 1043, Ground Floor, Caledonian House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The ultimate controlling shareholder of FEC and the Offeror is Tan Sri Dato' CHIU David.

The principal place of business of FEC in Hong Kong is 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

- (d) The directors of FEC are:

Executive Directors:

Tan Sri Dato' CHIU David
Mr. HOONG Cheong Thard
Mr. CHAN Chi Hing
Mr. CHIU Dennis
Mr. WILLIAMS Craig Grenfell

Independent Non-executive Directors:

Mr. CHAN Kwok Wai
Mr. WONG Man Kong Peter
Mr. LAM Kwong Siu

- (e) The registered office of Investec is situated at 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

- (f) The English language text of this Scheme Document shall prevail over the Chinese language text.

1. RESPONSIBILITY STATEMENT

The information contained in this Scheme Document relating to the Dorsett Group has been supplied by Dorsett. The issue of this Scheme Document has been approved by the directors of Dorsett, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to FEC Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by FEC, the Offeror or their directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of Dorsett was HK\$500,000,000.00 divided into 5,000,000,000 Dorsett Shares of par value HK\$0.10;
- (b) the issued share capital of Dorsett was approximately HK\$210,062,665.00 divided into 2,100,626,650 Dorsett Shares of par value HK\$0.10;
- (c) Dorsett has not issued any new Dorsett Shares since 31 March 2015, being the end of the last financial year of Dorsett, up to the Latest Practicable Date;
- (d) all of Dorsett Shares rank pari passu in all respects as regards rights to capital, dividends and voting;
- (e) there were 14,414,545 Dorsett Options. As set out in the section headed “9. Dorsett Options and the Rule 13 Offer” in Part VII — Explanatory Statement of this Scheme Document, the exercise price of the Dorsett Options is HK\$2.20. In the event that any of such Dorsett Options are exercised on or prior to the Latest Option Exercise Date in accordance with the relevant provisions of the Share Option Scheme, Dorsett Shares issued, prior to the Scheme Record Date, as a result of the exercise of such outstanding Dorsett Options will be subject to and eligible to participate in the Scheme. If all of such Dorsett Options are exercised on or prior to the Latest Option Exercise Date, a total of 14,414,545 new Dorsett Shares will be issued; and
- (f) other than the Dorsett Options, there are no other options, derivatives, warrants or other securities convertible or exchangeable into Dorsett Shares which were issued by FEC, the Offeror or Dorsett.

3. MARKET PRICE

The table below sets out the closing price of the Dorsett Shares on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Business Day of each of the calendar months during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date.

	Closing price for each Dorsett Share (HK\$)
28 November 2014	1.39
30 December 2014	1.33
30 January 2015	1.28
27 February 2015	1.24
31 March 2015	1.23
30 April 2015	1.26
20 May 2015 (Last Trading Day)	1.36
29 May 2015	1.63
30 June 2015	1.60
31 July 2015	1.59
28 August 2015 (Latest Practicable Date)	1.43

The highest and lowest closing prices of Dorsett Shares as quoted on the Stock Exchange during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date was HK\$1.67 per Dorsett Share on 8 June 2015, and HK\$1.21 per Dorsett Share on 26 March 2015 and 30 March 2015, respectively.

Based on the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Cancellation Consideration is equivalent to HK\$1.80, which represents a premium of approximately 32.4% over the closing price of HK\$1.36 per Dorsett Share as quoted on the Stock Exchange on 20 May 2015 (being the Last Trading Day).

4. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, “interested” and “interests” have the same meanings as ascribed to those terms in Part XV of the SFO.

Interests in FEC

As at the Latest Practicable Date, the directors of Dorsett had the following interests in FEC Shares:

(a) *Long position in the FEC Shares*

Name of director of Dorsett	Number of FEC Shares			Total	Percentage to the issued share capital of FEC at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
Tan Sri Dato’ CHIU David	15,103,101	582,830	921,686,327	937,372,258	48.88%
HOONG Cheong Thard	6,243,033	404,245*	–	6,647,278	0.35%
CHAN Chi Hing	2,010,000	–	–	2,010,000	0.10%
LIU Ngai Wing	4,490	–	–	4,490	0.00%

* 404,245 FEC Shares are jointly held by HOONG Cheong Thard with his spouse, TENG Pei Chun.

(b) *Long position in underlying FEC Shares*

Under the share option schemes of FEC, the following directors of Dorsett have personal interests in share options to subscribe for FEC Shares and are accordingly regarded as interested in the underlying FEC Shares. Details of the FEC Options held by such directors as at the Latest Practicable Date are as follows:

Name of Director	Date of grant	Exercisable period	Number of share options	Exercise price per FEC Share (HK\$)
HOONG Cheong Thard	27 March 2013	<i>Note (i)</i>	5,000,000	2.55
CHAN Chi Hing	27 March 2013	<i>Note (i)</i>	3,500,000	2.55

Note:

(i) Divided into 4 tranches, exercisable from 1 March 2014, 1 March 2015, 1 March 2016 and 1 March 2017, respectively to 28 February 2020.

Interests in Dorsett

As at the Latest Practicable Date, the directors of Dorsett had the following interests in Dorsett Shares:

(a) *Long position in the Dorsett Shares*

Name of director of Dorsett	Number of Dorsett Shares			Total	Percentage to the issued share capital of Dorsett at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
Tan Sri Dato' CHIU David	-	8,861	1,562,531,011 <i>(Note (i))</i>	1,562,539,872	74.38%
CHIU Wing Kwan Winnie	206,756	-	-	206,756	0.01%
HOONG Cheong Thard	-	4,242 <i>(Note (ii))</i>	-	4,242	0.00%
CHAN Chi Hing	3,000	-	-	3,000	0.00%

Notes:

- (i) 8,651,361 Dorsett Shares were directly held by Sumptuous Assets Limited ("Sumptuous"), a company fully controlled by Tan Sri Dato' CHIU David and 1,553,879,650 Shares were directly held by Ample Bonus Limited ("Ample Bonus"), a wholly-owned subsidiary of FEC. As at the Latest Practicable Date, by virtue of the shares in FEC owned by Sumptuous representing approximately 48.06% of the issued shares of FEC, Sumptuous is deemed to be interested in the Shares owned by Ample Bonus. Sumptuous is fully controlled by Tan Sri Dato' CHIU David and therefore Tan Sri Dato' CHIU David is deemed to be interested in the Shares directly owned by Ample Bonus and Sumptuous.
- (ii) 4,242 Shares were jointly held by Mr. HOONG Cheong Thard with his spouse, Ms. TENG Pei Chun.

All of the directors of Dorsett who hold shares in Dorsett are Offeror Concert Parties and as such are required to abstain from voting on the Scheme at the Court Meeting.

APPENDIX VI GENERAL INFORMATION RELATING TO DORSETT
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(b) *Long position in underlying Dorsett Shares*

Under the Share Option Scheme, Dorsett Options were granted to the undermentioned directors of Dorsett which entitle them to subscribe for Dorsett Shares and accordingly they are regarded as interested in the underlying Dorsett Shares. Details of the Dorsett Options held by them as at the Latest Practicable Date are as follows:

Name of director of Dorsett	Date of grant	Exercisable period	Number of Dorsett Options	Exercise price per Dorsett Share (HK\$)
CHIU Wing Kwan Winnie	11 October 2010	<i>note (i)</i>	1,818,182	2.20
LAI Wai Keung	11 October 2010	<i>note (i)</i>	1,272,728	2.20
HOONG Cheong Thard	11 October 2010	<i>note (i)</i>	2,269,091	2.20
CHAN Chi Hing	11 October 2010	<i>note (i)</i>	2,836,364	2.20

Note:

- (i) Divided into 5 tranches, exercisable as follows:
Tranche 1: from 11 October 2011 to 10 October 2014 — lapsed during the year ended 31 March 2015
Tranche 2: from 11 October 2012 to 10 October 2015
Tranche 3: from 11 October 2013 to 10 October 2016
Tranche 4: from 11 October 2014 to 10 October 2017 and
Tranche 5: from 11 October 2015 to 10 October 2018.

All of the above-mentioned directors of Dorsett intend, in respect of their Dorsett Options not exercised before the Latest Option Exercise Date, to accept the Rule 13 Offer.

Confirmations

Except as disclosed in this section headed “Disclosure of Interests” in this Appendix VI of this Scheme Document, the section headed “4. Disclosure of Interests in FEC’s securities” in Appendix V to this Scheme Document and the section headed “8. Shareholding Structure of Dorsett and the Scheme Shares” in Part VII Explanatory Statement of this Scheme Document and as at the Latest Practicable Date:

- (a) neither Dorsett nor the directors of Dorsett were interested in any FEC Shares or shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of FEC Shares or shares of the Offeror;
- (b) none of the directors of Dorsett were interested in any Dorsett Shares or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares;
- (c) (i) no subsidiary of Dorsett, or (ii) no pension fund of Dorsett or (iii) no members of the Dorsett Group or, (iv) so far as Dorsett is aware, no adviser to Dorsett as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders), or (v) so far as FEC is aware, no adviser to FEC as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders), owned or controlled (as the case may be) any Dorsett Shares or any FEC Shares or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares;
- (d) neither Dorsett nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) none of the non-exempt discretionary fund managers and principal traders connected with Dorsett owned or controlled (as the case may be) any Dorsett Shares, or any FEC Shares, or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares; and
- (f) neither Dorsett nor any of the directors of Dorsett had borrowed or lent (as the case may be) any Dorsett Shares or any FEC Shares, or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares.

5. DEALINGS IN FEC SHARES, SHARES OF THE OFFEROR AND DORSETT SHARES

For the purpose of this paragraph, “Relevant Period” refers to the period which commenced on the date falling six months prior to the Announcement Date and ended on the Latest Practicable Date.

During the Relevant Period, three directors of Dorsett, being Tan Sri Dato’ CHIU David, Mr. HOONG Cheong Thard and Mr. CHAN Chi Hing, had dealt for value in any FEC Shares, shares of the Offeror or Dorsett Shares or convertible securities, warrants, options or derivatives in respect of FEC Shares, shares of the Offeror or Dorsett Shares, the particulars of which are set out in the paragraph headed “5. Dealings in Dorsett’s securities and FEC’s securities” in Appendix V to this Scheme Document.

During the Relevant Period, except as disclosed in this paragraph headed “5. Dealings in FEC Shares, Shares of the Offeror and Dorsett Shares” and in the section headed “5. Dealings in Dorsett’s securities and FEC’s securities” in Appendix V to this Scheme Document:

- (a) neither Dorsett nor any director of Dorsett had dealt for value in any FEC Shares or the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of FEC Shares or shares of the Offeror;
- (b) none of the directors of Dorsett had dealt for value in any Dorsett Shares or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares;
- (c) no subsidiary of Dorsett, or any pension fund of Dorsett or of any other member of the Dorsett Group or any adviser to Dorsett as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in any Dorsett Shares or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares;
- (d) none of the non-exempt discretionary fund managers and principal traders connected with Dorsett had dealt for value in any Dorsett Shares or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares; and
- (e) no person having any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Dorsett or with any person who is an associate of Dorsett by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code owned or controlled any Dorsett Shares, or any FEC Shares, or any convertible securities, warrants, options or derivatives in respect of Dorsett Shares or FEC Shares.

6. MATERIAL LITIGATION

Save for the ongoing litigation set out in the paragraph headed “Contingent Liabilities” under the section headed “III. Indebtedness” of Appendix I to this Scheme Document, as at the Latest Practicable Date, there was no material litigation or claim of material importance known to the directors of Dorsett to be pending or threatened against any member of the Dorsett Group.

7. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Dorsett Group after the date of two years before the Announcement Date and up to and including the Latest Practicable Date.

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

Name	Qualification
Investec	Investec is a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Altus	Altus is a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
CBRE Limited	Independent professional valuer
Colliers International (Wellington Valuation) Limited	Independent professional valuer
Colliers International New Zealand Limited	Independent professional valuer
DTZ Debenham Tie Leung Limited	Independent professional valuer
Raine & Horne International Zaki + Partners Sdn. Bhd.	Independent professional valuer
Savills Valuation and Professional Services (S) Pte Ltd	Independent professional valuer
Savills Valuations Pty Ltd	Independent professional valuer
SG&R Valuation Services Company LLC (also trading as HVS)	Independent professional valuer

The above experts have given and have not withdrawn their written consent to the issue of this Scheme Document with the inclusion therein of the opinions, reports and/or letters and/or the references to their name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (a) None of the existing directors of Dorsett will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme and the Proposal.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the directors of Dorsett and any other person which is conditional on or dependent upon the outcome of the Scheme and the Proposal or otherwise connected with the Scheme and the Proposal.
- (c) No material contract subsisting as at the Latest Practicable Date has been entered into by the Offeror in which any director of Dorsett has a material personal interest.
- (d) The directors of Dorsett are:

Executive Directors:

Ms. CHIU Wing Kwan Winnie
Mr. LAI Wai Keung

Non-executive Directors

Tan Sri Dato' CHIU David
Mr. HOONG Cheong Thard
Mr. CHAN Chi Hing

Independent Non-executive Directors:

Mr. SHEK Lai Him Abraham, G.B.S., J.P.
Mr. TO Peter
Dr. LIU Ngai Wing
Mr. ANGELINI Giovanni

- (e) The company secretary of Dorsett is WONG Kang Yean Clarence.
- (f) The registered office of Dorsett is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (g) The principal place of business of Dorsett in Hong Kong is at 18th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.
- (h) The principal share registrar of Dorsett is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

APPENDIX VI GENERAL INFORMATION RELATING TO DORSETT

- (i) The Hong Kong branch share registrar of Dorsett is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (j) The principal place of business of Altus is at 21 Wing Wo Street, Central, Hong Kong.
- (k) Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months preceding the Announcement Date; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period.

Name of Director	Commencement date of current service agreement	Expiry date of current service agreement	Term of appointment	Termination of appointment	Remuneration
CHIU Wing Kwan Winnie	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2013 AGM)	Terminable by Ms. CHIU Wing Kwan Winnie giving the Company 3 months' notice in writing; or Terminable by the Company giving Ms. CHIU Wing Kwan Winnie 3 months' notice in writing or compensation equivalent to 6 months' salary in lieu of notice	Annual emolument for the period from 1 April 2014 to 31 January 2015 was HK\$2,278,800 and for the period from 1 February 2015 onwards is HK\$2,379,756 (plus discretionary year end bonus which amounted to HK\$284,850 for the period from 1 April 2014 to 31 March 2015)
LAI Wai Keung	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2012 AGM)	Terminable by Mr. LAI Wai Keung giving the Company 3 months' notice in writing; or Terminable by the Company giving Mr. LAI Wai Keung 3 months' notice in writing or compensation equivalent to 3 months' salary in lieu of notice	Annual emolument of HK\$1,260,000 (plus discretionary year end bonus, the amount of which was HK\$157,500 for the period from 1 April 2014 to 31 March 2015)
Tan Sri Dato' CHIU David	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2012 AGM)	Terminable by either party giving at least 3 months' notice in writing	Nil

APPENDIX VI GENERAL INFORMATION RELATING TO DORSETT

Name of Director	Commencement date of current service agreement	Expiry date of current service agreement	Term of appointment	Termination of appointment	Remuneration
HOONG Cheong Thard	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2013 AGM)	Terminable by either party giving at least 3 months' notice in writing	Nil
CHAN Chi Hing	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2013 AGM)	Terminable by either party giving at least 3 months' notice in writing	Nil
SHEK Lai Him Abraham	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2012 AGM)	Terminable by either party giving at least 3 months' notice in writing	Director's Annual Fee: HK\$150,000 per annum Allowance for attendance at Board and relevant Committee meetings: HK\$2,000 per day
TO Peter	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2014 AGM)	Terminable by either party giving at least 3 months' notice in writing	Director's Annual Fee: HK\$150,000 per annum Allowance for attendance at Board and relevant Committee meetings: HK\$2,000 per day
LIU Ngai Wing	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2014 AGM)	Terminable by either party giving at least 3 months' notice in writing	Director's Annual Fee: HK\$150,000 per annum Allowance for attendance at Board and relevant Committee meetings: HK\$2,000 per day
ANGELINI Giovanni	11 October 2013	10 October 2016	Subject to retirement by rotation at the annual general meeting of the Company at least once every three years (last retired and re-elected at 2014 AGM)	Terminable by either party giving at least 3 months' notice in writing	Director's Annual Fee: HK\$150,000 per annum Allowance for attendance at Board and relevant Committee meetings: HK\$2,000 per day

Note: The remuneration of the above directors of Dorsett is reviewed by the remuneration committee of the Dorsett Board and determined by the Dorsett Board annually.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the office of Dorsett located at 18th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday, (ii) on the website of Dorsett at www.dorsett.com, (iii) on the website of FEC at www.fecil.com.hk and (iv) the website of Securities and Futures Commission at www.sfc.hk from 31 August 2015 until the earlier of: (A) the Effective Date or the closing date of the Rule 13 Offer, whichever is later, and (B) the date on which the Scheme, the Proposal or the Rule 13 Offer lapses or is withdrawn, whichever is later:

- (a) the memorandum and articles of association of Dorsett;
- (b) the memorandum and articles of association of the Offeror;
- (c) the memorandum and articles of association of FEC;
- (d) the annual reports of Dorsett for the years ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (e) the annual reports of FEC for the years ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (f) the letter from the Dorsett Board, the text of which is set out in Part IV of this Scheme Document;
- (g) the letter from the Dorsett Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (h) the letter from the Dorsett Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (i) the letters, summaries of valuation and valuation certificates from independent valuers, the text of which are set out in Appendix III and Appendix IV to this Scheme Document;
- (j) the material contracts, if any, referred to in the section headed "7. Material Contracts" in Appendix VI — General Information Relating to Dorsett to this Scheme Document;
- (k) the written consents referred to in the section headed "8. Consents and Qualifications of Experts" in Appendix VI — General Information Relating to Dorsett to this Scheme Document;
- (l) the service contracts, if any, referred to in the sub-paragraph (k) under the section headed "9. Miscellaneous" in Appendix VI — General Information Relating to Dorsett to this Scheme Document; and
- (m) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: FSD 125 OF 2015 (IMJ)

IN THE MATTER OF

DORSETT HOSPITALITY INTERNATIONAL LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW (2013 REVISION)
OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT

BETWEEN

DORSETT HOSPITALITY INTERNATIONAL LIMITED

AND

THE HOLDERS OF SCHEME SHARES
(AS HEREINAFTER DEFINED)

- (A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation payment per Scheme Share of (i) a consideration of HK\$0.72; and (ii) the allotment and issue of 0.28125 FEC Consideration Shares, by the Offeror and/or FEC to the Scheme Shareholders pursuant to the Scheme
“Cayman Islands Grand Court”	the Grand Court of the Cayman Islands
“Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, as consolidated and revised

“Company”	Dorsett Hospitality International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2266)
“Director”	a director of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Cayman Islands Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Cayman Islands Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, and which is expected to be 6 October 2015 (Cayman Islands time)
“FEC”	Far East Consortium International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Hong Kong Stock Exchange (stock code: 35)
“FEC Consideration Shares”	new ordinary shares in the share capital of FEC to be issued as part of the payment of the Cancellation Price to the Scheme Shareholders
“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 Dorsett Shareholders”	Shareholders other than the Offeror, FEC and other parties acting in concert with the Offeror or FEC in relation to Dorsett (including Tan Sri Dato’ CHIU David, Ms. NG Nancy, Mr. CHIU Dennis, Mr. CHIU Daniel, Mr. HOONG Cheong Thard, Mr. CHAN Chi Hing, Ms. CHIU Wing Kwan Winnie, Ms. CHIU Margaret and Mr. CHIU Deacon Te Ken)
“Latest Practicable Date”	28 August 2015, being the latest practicable date for ascertaining certain information contained in the Scheme Document

“Offeror”	Willow Bliss Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of FEC who is the controlling shareholder of the Company
“Option Offer”	the offer to the holders of options over the Shares for the cancellation of every vested and unvested option in accordance with the Takeovers Code
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the Option Offer
“Record Date”	6 October 2015, or such other time and date as shall have been announced to holders of Shares, being the record date for the purpose of determining the entitlements of Scheme Shareholders under the Scheme
“Record Time”	5:00 p.m. (Hong Kong time) on the Record Date
“Register”	the principal or branch register of members of the Company (as the case may be)
“Scheme”	a scheme of arrangement under section 86 of the Companies Law involving the cancellation of all the Scheme Shares and reduction of share capital and the restoration of the share capital of the Company to the amount immediately before such cancellation and reduction of share capital
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it
“Scheme Share(s)”	Share(s) other than those held directly or indirectly by the Offeror as at the Record Time on the Record Date
“Scheme Shareholders”	holder(s) of Scheme Shares as at the Record Time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission in Hong Kong

- (B) The Company was incorporated as an exempted company on 23 January 2007 in the Cayman Islands under the Companies Law.
- (C) The authorized share capital of the Company as at the Latest Practicable Date was HK\$500,000,000 divided into 5,000,000,000 Shares of which 2,100,626,650 Shares were issued and fully paid, with the remainder being unissued.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that the Company should become wholly-owned by FEC.
 - On the Latest Practicable Date, 1,564,017,741 Shares were legally and/or beneficially owned by FEC and parties acting in concert with the Offeror and registered as follows:

Name	Registered holder of Shares	Number of Shares
Ample Bonus Limited	Ample Bonus Limited	1,379,000,000
Ample Bonus Limited	HKSCC Nominees Limited	174,879,650
Sumptuous Assets Limited	Sumptuous Assets Limited	6,772,397
Sumptuous Assets Limited	HKSCC Nominees Limited	1,878,964
NG Nancy	HKSCC Nominees Limited	8,861
CHIU Wing Kwan Winnie	HKSCC Nominees Limited	206,756
CHIU Dennis	CHIU Dennis	32
Chiu Capital N V Limited	HKSCC Nominees Limited	21,540
First Level Holdings Limited	HKSCC Nominees Limited	58,158
HOONG Cheong Thard and TENG Pei Chun	HKSCC Nominees Limited	4,242
CHAN Chi Hing	HKSCC Nominees Limited	3,000
CHIU Margaret	CHIU Margaret	11,517
CHIU Deacon Te Ken	CHIU Deacon Te Ken	206,224
CHIU Deacon Te Ken	HKSCC Nominees Limited	523,613
Parma Investment Limited	Parma Investment Limited	4,038
Parma Investment Limited	HKSCC Nominees Limited	184,044
Far East International Investment and Finance Limited	Far East International Investment and Finance Limited	254,705

- The Offeror, FEC and each of the parties acting in concert with the Offeror will procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the meeting convened at the direction of the Cayman Islands Grand Court for the purpose of considering and, if thought fit, approving the Scheme.

4. FEC and the Offeror have undertaken to the Cayman Islands Grand Court to be bound by the Scheme, and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to the Offeror the same number of Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to the Offeror, credited as fully paid.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price.

PART III

General

3. (a) On the basis that the Scheme becomes effective on or about 6 October 2015 (Cayman Islands time), the Offeror shall send or cause to be sent to Scheme Shareholders cheques for payment of the cash portion and certificates for the share portion of the Cancellation Price payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme on or before 15 October 2015.

- (b) Unless otherwise indicated in writing to the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, all such cheques and certificates for the FEC Consideration Shares shall be sent by ordinary post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the Register at the Record Time or, in the case of joint holders, at the address as appearing on the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
- (c) Cheques and certificates for the FEC Consideration Shares shall be posted by ordinary post at the risk of the addressee and neither the Offeror, FEC, the Company nor any of their agents shall be responsible for any loss or delay in the transmission of the same.
- (d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six calendar months after the posting of the cheque pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Company.
- (f) Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.
- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.

4. Each instrument of transfer and certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation thereof.
5. All mandates or relevant instructions to the Company in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
6. This Scheme shall become effective as soon as a copy of the order of the Cayman Islands Grand Court sanctioning this Scheme under Section 86 of the Companies Law has been registered by the Registrar of Companies in the Cayman Islands.
7. Unless this Scheme shall have become effective on or before 23 November 2015, or such later dates as the Company and the Offeror may agree, or as the Cayman Islands Grand Court, on application of the Company and/or the Offeror may allow, this Scheme shall lapse.
8. The Company and the Offeror may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition that the Cayman Islands Grand Court may think fit to approve or impose.
9. FEC and the Offeror are collectively responsible to pay all costs, charges and expenses of the advisers and counsels appointed by Dorsett as well as all other cost, charges and expenses incurred in relation to the Scheme and Proposal.

31 August 2015

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 125 of 2015 (IMJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2013 REVISION)

AND IN THE MATTER OF THE GRAND COURT RULES, ORDER 102

AND IN THE MATTER OF DORSETT HOSPITALITY INTERNATIONAL LIMITED

NOTICE OF
COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 20 August 2015 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Dorsett Hospitality International Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong on 22 September 2015 at 2:30 p.m. at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 31 August 2015 despatched to members of the Company on 31 August 2015.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint

holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 2:30 p.m. on 20 September 2015, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed Mr. LAI Wai Keung, a director of the Company, or failing him, Ms. CHIU Wing Kwan Winnie, also a director of the Company, or failing her, any other person who is a director of the Company as at the time of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court
Dorsett Hospitality International Limited

Dated 31 August 2015

Registered Office
P.O. Box 309
Ugland House Grand Cayman KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong
18th Floor, Far East Consortium Building
121 Des Voeux Road Central, Hong Kong



DORSETT

HOSPITALITY INTERNATIONAL

帝盛酒店集團

Dorsett Hospitality International Limited

帝盛酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2266)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Dorsett Hospitality International Limited (the “**Company**”) will be held at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387–397 Queen’s Road East, Wan Chai, Hong Kong on 22 September 2015 at 4:00 p.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the meeting of holders of ordinary shares of HK\$0.10 each in the share capital of the Company other than Far East Consortium International Limited, Willow Bliss Limited and other parties acting in concert with Willow Bliss Limited in relation to the Company, convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following as a special resolution and (with or without modifications) an ordinary resolution, respectively:

SPECIAL RESOLUTION

“THAT AS A SPECIAL RESOLUTION for the purposes of giving effect to the scheme of arrangement dated 31 August 2015 (the “**Scheme**”) between the Company and the holders of Scheme Shares (as defined in the Scheme), on the Effective Date (as defined in the Scheme):

- (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme); and
- (b) the directors of the Company be and are hereby authorized to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTION

THAT AS AN ORDINARY RESOLUTION:

- (a) subject to and forthwith upon such reduction of share capital taking effect, the issued share capital of the Company shall be increased to its former amount

by the allotment and issue to Willow Bliss Limited of the same number of ordinary shares of HK\$0.10 each in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;

- (b) the Company shall apply the credit arising in its books of account as a result of such capital reduction referred to in paragraph (a) of the special resolution above in paying up in full at par the new ordinary shares issued, credited as fully paid, to Willow Bliss Limited and the directors of the Company be and are hereby authorised to allot and issue the same accordingly;
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose; and
- (d) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company."

By Order of the Board
Dorsett Hospitality International Limited
WONG Kang Yeon Clarence
Chief Financial Officer and Company Secretary

Dated 31 August 2015

Registered Office
P.O. Box 309
Ugland House Grand Cayman KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong
18th Floor, Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

Notes:

- (a) Any member entitled to attend and vote at the meeting (or any adjournment thereof) is entitled to appoint one or more proxies (who must be individuals) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (b) In the case of joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share of the Company as if he/she was solely entitled thereto; if more than one of such joint registered holders be present, personally or by proxy, one of the persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint registered holders stand on the register of members of the Company.

APPENDIX X NOTICE OF EXTRAORDINARY GENERAL MEETING
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- (c) In order to be valid, the proxy form must be completed and deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. However, the chairman of the Extraordinary General Meeting may in his discretion direct that this form of proxy be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from you that this form of proxy duly signed is in the course of transmission to the Hong Kong branch share registrar of the Company in Hong Kong at the above-stated address. Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting. In the event that a member of the Company attends the meeting after having lodged his form of proxy, the form of proxy will be deemed to have been revoked.
- (d) A form of proxy for use at the meeting is enclosed.
- (e) The special resolution and ordinary resolution as set out above will be determined by way of a poll.
- (f) At the date of this notice, the executive directors of the Company are Ms. CHIU Wing Kwan Winnie and Mr. LAI Wai Keung; the non-executive directors of the Company are Tan Sri Dato' CHIU David, Mr. HOONG Cheong Thard and Mr. CHAN Chi Hing; and the independent non-executive directors of the Company are Mr. SHEK Lai Him Abraham, G.B.S., J.P., Mr. TO Peter, Dr. LIU Ngai Wing and Mr. ANGELINI Giovanni.

The following is a sample of the Rule 13 Offer Letter being sent to the holders of Dorsett Options in connection with the Rule 13 Offer.

Willow Bliss Limited
16th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

31 August 2015

To the holders of Dorsett Options

Dear Sir or Madam,

**RULE 13 OFFER
IN RELATION TO
THE PROPOSED PRIVATISATION OF
DORSETT HOSPITALITY INTERNATIONAL LIMITED
BY WILLOW BLISS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)**

A composite scheme document dated the same date as this letter issued jointly by Willow Bliss Limited (the “**Offeror**”), Far East Consortium International Limited (“**FEC**”) and Dorsett Hospitality International Limited (“**Dorsett**”) (the “**Scheme Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

FEC, the Offeror and Dorsett issued a joint announcement dated 27 May 2015 (the “**Announcement**”) which stated that, among others, on 20 May 2015, the Board of FEC, had requested the Board of Dorsett to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of Dorsett by way of a scheme of arrangement under Section 86 of the Companies Law. As stated in the Announcement, as part of the Proposal, the Offeror would make an appropriate offer, namely the Rule 13 Offer, to the holders of Dorsett Options for the cancellation of every vested and unvested Dorsett Option in accordance with Rule 13 of the Takeovers Code. The Rule 13 Offer will be conditional upon the Scheme becoming effective.

This letter explains the actions you may take in relation to your outstanding Dorsett Options. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the Share Option Scheme.

TERMS OF THE RULE 13 OFFER

On behalf of the Offeror, we are making the Rule 13 Offer, which is conditional on the Scheme becoming effective, to you pursuant to the terms of the Share Option Scheme.

Any outstanding Dorsett Options, to the extent not exercised on or prior to the Latest Option Exercise Date, will lapse automatically fourteen (14) days after the Effective Date. You may accept the Rule 13 Offer by lodging a completed form of acceptance in respect of the Rule 13 Offer (the “**Form(s) of Acceptance**”) by the prescribed deadline and, if the Rule 13 Offer becomes unconditional, you will be entitled to the Dorsett Options Offer Price.

The Dorsett Options Offer Price of HK\$0.01 represents the “see through” price of the outstanding Dorsett Option, being the higher of (i) the amount by which the value of the Cancellation Consideration, calculated by reference to the closing price of FEC Shares on the Last Trading Day, exceeds the exercise price of Dorsett Options of HK\$2.20; and (ii) HK\$0.01.

As the exercise price applicable to each Dorsett Option is HK\$2.20 and is higher than the value of the Cancellation Consideration of HK\$1.80 (based on aggregate of the cash sum of HK\$0.72 and 0.28125 of the closing price of HK\$3.84 per FEC Share as quoted on the Stock Exchange on the Last Trading Day), the Offeror offers the holders of Dorsett Options the Dorsett Options Offer Price, which is a nominal value of HK\$0.01 in accordance with the “see-through” principle of Rule 13 of the Takeovers Code, for each Dorsett Option that they hold.

The Rule 13 Offer is conditional upon the Scheme becoming effective. The Conditions of the Scheme are set out in the section headed “4. Conditions of the Scheme and the Proposal” in Part VII — Explanatory Statement of the Scheme Document. In addition, all payments in respect of the Dorsett Options Offer Price will be made by cheques in Hong Kong dollars.

You are further advised to refer to the section headed “18. Overseas Dorsett Shareholders and Overseas Holders of Dorsett Options”, the section headed “19. Registration and Payment” and the section headed “20. Taxation” in Part VII — Explanatory Statement of the Scheme Document.

Your attention is drawn to the letter from the Dorsett Independent Board Committee to the Independent Dorsett Shareholders and holders of Dorsett Options set out in Part V of the Scheme Document and the letter from Altus Capital Limited, the Dorsett Independent Financial Adviser, set out in Part VI of the Scheme Document, which contain the recommendation of the Dorsett Independent Board Committee and of the Dorsett Independent Financial Adviser, respectively, in relation to the Scheme and the Rule 13 Offer.

COURSES OF ACTION AVAILABLE TO HOLDERS OF DORSETT OPTIONS

In summary, the choices available to you in respect of your outstanding Dorsett Options are:

- (a) to the extent any of your outstanding Dorsett Options is not exercised on or prior to the Latest Option Exercise Date, if you are a holder of outstanding Dorsett Options as at the Rule 13 Offer Record Date, you may accept the Rule 13 Offer in accordance with its terms, as set out in this letter and in the Scheme Document by allowing such unexercised outstanding Dorsett Options to remain unexercised on the Effective Date, and sign and return the completed Form of Acceptance enclosed, by not later than 4:00 p.m. (Hong Kong time) on Tuesday, 20 October 2015 (or such later time and/or date as may be notified to you through announcement(s)), to receive the Dorsett Options Offer Price if the Scheme becomes effective;
- (b) you may in accordance with the terms of the Share Option Scheme exercise all or any of your outstanding vested Dorsett Options (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Dorsett Options to Dorsett at any time after the date of this letter (being 31 August 2015) and up to the Latest Option Exercise Date. Any Dorsett Shares issued as a result of the exercise of such outstanding Dorsett Options as mentioned above will be subject to and eligible to participate in the Scheme. Please refer to the Scheme Document for details of the Scheme and the Proposal in this regard; or
- (c) do nothing, in which case, if the Scheme becomes effective, your unexercised outstanding Dorsett Options will lapse automatically fourteen (14) days after the Effective Date and you will receive neither the Dorsett Options Offer Price nor the Cancellation Consideration.

Each outstanding Dorsett Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Scheme Document, the Form of Acceptance and the terms of the Share Option Scheme.

OUTSTANDING DORSETT OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the outstanding Dorsett Options held by you as at the Latest Practicable Date is available from the company secretary of Dorsett. If there is any exercise of your outstanding Dorsett Options after the Latest Practicable Date, you may accept the Rule 13 Offer only in respect of such outstanding Dorsett Options which remain unexercised or unvested as at the Latest Option Exercise Date.

LAPSED DORSETT OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Dorsett Option which lapses, will lapse, or has already lapsed, under the terms of the Share Option Scheme. You cannot exercise or accept the Rule 13 Offer in respect of a Dorsett Option which has lapsed in accordance with its terms on the Rule 13 Offer Record Date.

PROFESSIONAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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

DECLARATION

By signing and returning the completed Form of Acceptance, you thereby:

- (a) warrant and confirm that each Dorsett Option in respect of which you accept the Rule 13 Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Dorsett Option shall become void once that Dorsett Option has been cancelled as a result of your acceptance of the Rule 13 Offer pursuant to the Form of Acceptance;
- (b) acknowledge and agree that you cease to have any rights and obligations, and waive all rights and claims against any party (including the Offeror and Dorsett), in respect of all the Dorsett Options held by you for which you accept the Rule 13 Offer, that all rights and obligations under all such Dorsett Options will be cancelled;
- (c) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (d) authorise FEC, the Offeror, Dorsett, Investec and/or such person or persons as any of them may direct to do all acts and things and to complete, amend and execute any document on your behalf as may be necessary or desirable to give effect to or in connection with the acceptance you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance;

- (e) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to this letter and the Form of Acceptance; and
- (f) confirm that you have read, understood and agreed to the terms and conditions of the Rule 13 Offer (including, without limitation, those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received and read the Scheme Document and this letter.

GENERAL

- (a) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from the holders of Dorsett Options will be delivered by or sent to or from them, or their designated agents, at their risk, and none of FEC, the Offeror, Dorsett or Investec accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Rule 13 Offer.
- (c) The Rule 13 Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the Form of Acceptance in respect of the Rule 13 Offer will constitute an authority to FEC, the Offeror, Dorsett, Investec or such person(s) as any of them may direct to complete and execute on behalf of the accepting holder of Dorsett Options, the Form of Acceptance and any document and to do any other act that may be necessary or expedient for the purpose of cancelling, or vesting in the Offeror or such person(s) as the Offeror shall direct, all rights of the holders of Dorsett Options in respect of the outstanding Dorsett Options which are the subject of such acceptance.
- (e) The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the Form of Acceptance and this letter, including the date specified for receipt.
- (f) By completing the Form of Acceptance in respect of a particular outstanding Dorsett Option, you irrevocably and at your own risk elect to authorise FEC, the Offeror, Dorsett, Investec and/or their respective agent(s) to send to you, or procure the sending to you of, the payment to which you are entitled.

ACTIONS TO BE TAKEN FOR ACCEPTING THE RULE 13 OFFER

In order to accept the Rule 13 Offer, you must complete and return the duly completed and executed Form of Acceptance together with the relevant certificate(s) (if any) or any other document(s) evidencing the grant of the outstanding Dorsett Options to you or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Offeror, care of FEC at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, for the attention of the Board of the Offeror and marked "Dorsett Hospitality International Limited — Rule 13 Offer" by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 20 October 2015 (or such later time and/or date as may be notified to you through announcement(s)). If you do not complete a Form of Acceptance, subject to and conditional upon the Scheme becoming effective, your Dorsett Options will lapse automatically fourteen (14) days after the Effective Date.

Before forwarding the Form of Acceptance to the board of the Offeror, please ensure that you have signed the Form of Acceptance and that your signature has been witnessed.

Assuming the Rule 13 Offer will close on 20 October 2015, payment for the Dorsett Options Offer Price is expected to be made within seven Business Days following the later of the date that the Rule 13 Offer becomes unconditional and the date of receipt of the duly completed Form of Acceptance by the Offeror.

No acknowledgment of receipt of any Form of Acceptance, the relevant certificate(s) (if any) or any other document(s) evidencing the grant of the outstanding Dorsett Options or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

RESPONSIBILITY STATEMENTS

The directors of FEC jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Dorsett Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by Dorsett) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter (other than that relating to the Dorsett Group) misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Dorsett Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by Dorsett or by FEC) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter (other than that relating to the Dorsett Group) misleading.

The directors of Dorsett jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the FEC Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by FEC, the Offeror or their directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter (other than that relating to the FEC Group) misleading.

Yours faithfully,
For and on behalf of
Willow Bliss Limited
HOONG Cheong Thard
Director