Chartwell Capital

January 10, 2023

Mr. Chris Cheong Thard Hoong
Group Managing Director
16/F., Far East Consortium Building,
121 Des Voeux Road Central, Hong Kong

Dear Mr. Hoong,

As a long-term shareholder of Far East Consortium (the "Company") since 2013, we want to share with you our concern with the Company's expansion of its casino gaming portfolio since 2018. As ESG is now a crucial investment consideration among asset managers, we believe that this portfolio will deter many institutional investors from investing in the Company.

The casino gaming contributes close to 5% of the total revenue. While this is insignificant to the Company, it drives away ESG-conscious potential investors. For instance, MSCI excludes companies that derive 5% or more revenue from ownership of gambling-related businesses from MSCI Select ESG Rating. Moreover, ESG-conscious investment mandates are growing at a CAGR of 13% and will soon account for a quarter of global AUM. Therefore, we strongly recommend the management to conduct a strategic review of the casino gaming business and consider a divestment or spin-off to improve ESG rating and unlock shareholder value.

Our calculation shows that casino gaming portfolio is worth over USD 230 million or a third of the Company's market capitalization. A divestment will not only improve the Company's ESG score but also unlock shareholder value through special dividends, share buybacks, or debt repayments. Alternatively, the Company should spin off the segment into a separate listed entity. Casino gaming stocks trade at 12 – 14x EV/EBITDA, higher than the 6x EV/EBITDA at which the Company paid for the casino acquisition in 2018. Spinning off the business will provide flexibility for shareholders to divest or hold on to the business at their own discretion.

Regards,

Ronald W. Chan
Chief Investment Officer
Chartwell Capital Limited