

29 November, 2019

Ronald W. Chan
Chartwell Capital Limited
Chief Investment Officer
Rm 1702, New World Tower I
16-18 Queen's Road, Central
Hong Kong

Dear Mr Chan,

We have received your letter dated 26 September 2019 ("Letter"). Thank you for spending the time to analyse Far East Consortium International Limited ("FEC" or the "Company") and for putting forward suggestions and ideas that would benefit the Company and its shareholders. At FEC, we are always open to constructive engagement with existing and potential investors.

You will be pleased to know that all the opportunities and concerns that you raised in your Letter are already fully appraised by the management team of FEC. Indeed, we constantly look for ways to enhance shareholder value and to make FEC more investible by more investors, whether retail or institutional, whether in Hong Kong or globally. We do so with a specific focus on creating long term, consistent and sustainable shareholder value. In addition, beyond our shareholders, we aim to ensure that FEC provides value to all its key stakeholders, in the spirit of the core values of the Company.

We believe that all our businesses are closely linked and related, and provide to each other numerous benefits. Whilst each business has specific key performance targets, we do monitor closely the collaboration and cross-selling between them. So far, without a doubt, we can say that FEC benefits greatly from running all these businesses, together.

Turning to your specific suggestions, allow us to respond to each of them in the order that they were set out in your Letter.

1. Reduce Casino Exposure to Focus on Property-related Expansion

- a. As you know, there are two components to our Casino exposure: i) our 4.99% stake in The Star Entertainment ("The Star"), a casino and hotel operator listed in Australia, and ii) Trans World Corporation ("TWC"), a 100% FEC owned casino and hotel operator in Europe and Eastern Europe.

As to the former, our day-to-day involvement is very limited. We only own a small stake. That shareholding creates no distractions to the FEC management team. The Star's management team runs the business. We have a number of ongoing projects together and all have been and will be very accretive to our revenues and profits. The stake cements our collaboration



whilst paying us an attractive dividend. Lastly, we believe that The Star's share price is currently undervalued and provides upside potential for FEC.

As for TWC, when we bought the business in 2018 we also inherited a very experienced and capable management team which runs the business out of Europe, reasonably independently. We provide leadership, guidance and importantly targets for the business but we can assure you that our real estate, hospitality and car park businesses are not neglected as a result. The performance of TWC, as per our recent interim results announcement, demonstrates very good progress.

Given the relative size of the Gaming operations within FEC, investors continue to perceive FEC as a real estate pure play, offering exposure to residential development, hospitality and car park / facilities management.

- b. The Star and TWC adhere to the highest standards of data-privacy, AML and KYC. Based and operating in Australia and the European Union, respectively, these two companies have a long track record and have demonstrated their compliance to strict and ever-changing rules and regulations.
- c. Your suggestion is duly noted. We constantly review our portfolio and have proven in the past that if we can execute a transaction that is value enhancing for shareholders, we will pursue it diligently.

2. Enhance Share Buyback Programme

- a. We have and continue to review our share buyback programme in the context of the discount to NAV at which our share price trades but also in the context of the liquidity of our shares and other investment opportunities available to us. FEC is presented with many attractive investment opportunities and our ample liquidity is a strong selling point for vendors and financiers. These projects and investment opportunities are ultimately the contributors to the increasing NAV we have delivered over the years.
- b. The share price of FEC, like the equity markets overall, is affected by a number of external factors. We believe that specifying a clear NAV or market capitalisation range would not be wise given that it could set unrealistic expectations for investors and be equivalent to an open-ended commitment by FEC. As equity markets continue to face a number of risks, economic or geopolitical, FEC prefers to keep maximum flexibility to choose the timing and quantum of each buyback programme.

In executing our share buybacks, please also note that we need to adhere to the Hong Kong Stock Exchange rules as well as internal compliance rules.

- c. Whilst a share buyback can support a share price, it does also reduce liquidity as shares are repurchased and cancelled. As a result, great care is taken in sizing FEC's share buyback programmes such that they neutralize partly our script dividend but also don't affect too negatively the number of shares outstanding which contributes to the liquidity and the investability of FEC's shares.



We have upped our buyback programme over the years and will continue to review our strategy with a view of optimising the size and timing of such programmes.

3. Spin Off Hotel Assets as a REIT to Unlock Value

- a. Thank you for your advice and we agree 100% with you. We have taken specific action and on the 28th of November we announced our intention to spin-off and list separately a number of our hotel properties. We see the same benefits that you see.
- b. We can't agree more.
- c. We are contemplating to list the REIT in Singapore. We agree, it is the best market for this asset class and the hotel properties that we have selected. We have gone through a very rigorous process to select the assets to be included into the REIT. A number of considerations were reviewed to establish the assets to be included, including but not limited to: i) their performance, ii) scale and ranking, iii) location, iv) Hong Kong and Singapore stock exchange requirements and v) overall marketability of the portfolio. We had to consider the interest of investors into the REIT but also the existing FEC investors.

More details about our plans will be made available in due course. It is important to highlight that there can be no assurances at this stage that the REIT listing will proceed. It remains subject to a number of regulatory approvals and market conditions.

We hope that we have managed to answer adequately and convincingly all your queries. We re-iterate that communication with our existing investors is of prime importance and that we welcome the opportunity to meet with you and your team if you wish to discuss the content of this Letter further.

Sincerely,



Tan Sri Dato' David Chiu
CEO and Chairman



Chris Hoong
Managing Director

