
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in **FAR EAST HOTELS AND ENTERTAINMENT LIMITED**, you should at once hand this document with the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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FAR EAST HOTELS AND ENTERTAINMENT LIMITED
遠東酒店實業有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES

A notice convening an extraordinary general meeting of Far East Hotels And Entertainment Limited to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Wednesday, 27th August 2003 at 3:10 p.m. (or so soon thereafter as the annual general meeting convened for the same place and date at 3:00 p.m. shall have been concluded or adjourned) is set out in Appendix II of this document. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at Suite 3408, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting.

23rd July 2003

DEFINITIONS

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

“Companies Ordinance”	the Companies Ordinance (Chapter 32) of the Laws of Hong Kong
“Company”	Far East Hotels And Entertainment Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance
“Directors”	directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Wednesday, 27th August 2003 at 3:10 p.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 3:00 p.m. shall have been concluded or adjourned), notice of which is set out in Appendix II of this document
“Group”	the Company and its subsidiaries from time to time
“Latest Practicable Date”	22nd July 2003 being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Proposal”	the Repurchase Resolution to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 1 of the notice of the Extraordinary General Meeting
“Share(s)”	share(s) of \$1.00 each in the share capital of the Company
“Share Buy Back Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Code on Takeovers and Mergers
“\$” and “cents”	Hong Kong dollars and cents respectively

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE



FAR EAST HOTELS AND ENTERTAINMENT LIMITED 遠東酒店實業有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

Executive Directors:

Deacon Te-ken CHIU, J.P. *(Chairman)*
Derek CHIU *(Managing Director and Chief Executive)*
Desmond CHIU *(Deputy Managing Director)*
Margaret CHIU

Registered Office:

Suite 3408, 34th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Non-Executive Directors:

Daniel Tat-jung CHIU *(Vice Chairman)*
CHIU JU Ching-lan, J.P.
Dick Tat-sang CHIU
David Tat-cheong CHIU
Dennis Tat-shing CHIU
Duncan CHIU

Independent Non-executive Directors:

Ho-fai MA
Shing-hing IP

Alternate Directors:

Chi-hing CHAN *(Alternate Director to Deacon Te-ken CHIU)*
Sung-ki TANG *(Alternate Director to Desmond CHIU)*

23rd July 2003

To shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

INTRODUCTION

The purpose of this document is to provide you with information regarding the resolutions to be proposed at the Extraordinary General Meeting.

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

GENERAL MANDATE TO REPURCHASE SHARES

At the extraordinary general meeting of the Company held on 23rd August 2002, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the forthcoming annual general meeting of the Company. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Extraordinary General Meeting. An explanatory statement as required under the Share Buy Back Rules to provide the requisite information of the Repurchase Proposal is set out in the Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the Extraordinary General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution.

EXTRAORDINARY GENERAL MEETING

Set out in Appendix II hereto is a notice convening the Extraordinary General Meeting at which ordinary resolutions will be proposed to:

- grant to the Directors a general mandate to exercise all powers of the Company to purchase on the Stock Exchange Shares representing up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution;
- grant to the Directors a general mandate to authorise the Directors to issue, allot and deal with Shares with an aggregate nominal value as at the date of passing such resolution not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of such resolution;
- extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares purchased under the Repurchase Proposal after the granting of the general mandate.

ACTION TO BE TAKEN

A proxy form for use at the Extraordinary General Meeting is enclosed herein. Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete the

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

proxy form and return it to the registered office of the Company at Suite 3408, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of a proxy form will not prevent shareholders from attending and voting at the Extraordinary General Meeting if they so wish.

RECOMMENDATION

The Directors believe that all the above-mentioned resolutions to be proposed at the Extraordinary General Meeting are in the best interests of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of the resolutions set out in the notice of Extraordinary General Meeting.

Yours faithfully,

DEREK CHIU

Managing Director and Chief Executive

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution.

This appendix also constitutes the memorandum required under Section 49BA(3) of the Companies Ordinance.

1. LISTING RULES FOR REPURCHASE OF SHARES

The Share Buy Back Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholder's Approval

The Share Buy Back Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchase.

(b) Source of Funds

Repurchase must be made out of funds which are legally available for the purpose and in accordance with the company's constitutive document and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(c) Maximum Number of Shares to be Repurchased

A maximum of 10% of the existing issued share capital of a company at the date of passing the resolution may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 488,842,675 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 48,884,267 Shares which representing not more than 10% of the issued share capital of the Company as at the date of passing the resolution.

3. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such purchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares, made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st March 2003 in the event that the Repurchase Proposal were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the printing of this document were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
2002		
July	0.410	0.260
August	0.355	0.255
September	0.300	0.260
October	0.310	0.222
November	0.290	0.246
December	0.310	0.260

	Shares	
	Highest	Lowest
	HK\$	HK\$
2003		
January	0.300	0.250
February	0.280	0.255
March	0.280	0.234
April	0.250	0.185
May	0.280	0.220
June	0.330	0.260

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders.

7. EFFECT OF TAKEOVER CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Messrs. Deacon Te-ken CHIU, Derek CHIU, Dick Tat-sang CHIU, CHIU JU Ching-lan, David Tat-cheong CHIU and Margaret CHIU, being directors of the Company together with their respective associates were beneficially interested in an aggregate of 287,675,475 Shares representing 58.85% of the issued share capital of the Company. Based on such shareholdings and in the event that the Directors exercised in full the

power to repurchase Shares under the Repurchase Proposal, the shareholdings of Messrs. Deacon Te-ken CHIU, Derek CHIU, Dick Tat-sang CHIU, CHIU JU Ching-lan, David Tat-cheong CHIU and Margaret CHIU together with their respective associates would be increased to 65.39% of the issued share capital of the Company.

The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Proposal. In the event that the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25%.

8. SHARE PURCHASE MADE BY THE COMPANY

In the six months preceding the Latest Practicable Date, the Company had not purchased any of its own Shares on the Stock Exchange.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Wednesday, 27th August 2003 at 3:10 p.m. (or so soon thereafter as the Annual General Meeting of the Company convened for the same date and place at 3:00 p.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolution of the Company:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

2. “THAT:

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options (including bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of shares under any option scheme or similar arrangement for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting;

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

3. **“THAT** subject to the passing of the Resolution Nos. 1 and 2 set out in the Notice convening this meeting, the general mandate granted to the Directors of the Company to allot and deal with additional shares pursuant to Resolution No. 2 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 1 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”

By order of the Board
Sung-ki TANG
Secretary

Hong Kong, 23rd July 2003

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at Suite 3408, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.