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FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0037)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



金利豐證券

KINGSTON SECURITIES

THE PLACING

On 5 March 2014 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 97,768,000 Placing Shares to currently expected not less than six Placees who are Independent Third Parties.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the 97,768,000 Placing Shares under the Placing represent (i) approximately 19.81% of the existing issued share capital of the Company of 493,642,675 Shares as at the date of this announcement; and (ii) approximately 16.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$9,776,800.

The Placing Price of HK\$0.19 represents a discount of approximately 19.56% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.226 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.2362 in the last 5 trading days prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The gross proceeds from the Placing will be approximately HK\$18.6 million. The net proceeds from the Placing will amount to approximately HK\$18.1 million which is intended to be used for general working capital of the Group. The net price raised per Placing Share will be approximately HK\$0.185 per Share.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

5 March 2014 (after trading hours)

Parties

The Company and the Placing Agent

Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placees

The Placing Agent will place the Placing Shares to currently expected not less than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) are Independent Third Parties. If any of the Placees becomes a substantial Shareholder (as defined under the Listing Rules) after the completion of the Placing, a further announcement will be made by the Company.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the 97,768,000 Placing Shares under the Placing represent (i) approximately 19.81% of the existing issued share capital of the Company of 493,642,675 Shares as at the date of this announcement; and (ii) approximately 16.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$9,776,800.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.19 represents a discount of approximately 19.56% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.226 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.2362 in the last 5 trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

General Mandate to Allot and Issue the Placing Shares

The Placing Shares will be issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 97,768,535 new Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events.

Completion of the Placing

Completion of the Placing, in any event, will take place within four business days after the fulfillment of the conditions as set out in paragraph headed “Conditions of the Placing Agreement” above or such other date to be agreed between the Company and the Placing Agent in writing (the “**Completion Date**”). If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on 20 March 2014 or such later date to be agreed between the Company and the Placing Agent in writing, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof).

Termination and force majeure

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
- (b) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to this Placing Agreement or any announcements or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in this Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under this Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in hotel operation, property rental, securities trading and investment holding business.

The maximum gross proceeds from the Placing will be approximately HK\$18.6 million. The maximum net proceeds from the Placing will amount to approximately HK\$18.1 million which is intended to be used for the general working capital of the Group. The net proceeds raised per Placing Share will be approximately HK\$0.185 per Share.

The Directors have considered various ways of raising funds and believe that the Placing represents an opportunity to raise capital for the Group while broadening its Shareholder and capital base. Accordingly, the Directors are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing (Note 7)	
	No. of Shares	Approx. % (Note 8)	No. of Shares	Approx. % (Note 8)
Mr. Deacon Te Ken Chiu (Note 1)	121,392,476	24.59	121,392,476	20.53
Mr. Derek Chiu (Note 2)	95,624,299	19.37	95,624,299	16.17
Mr. Dick Tat Sang Chiu (Note 3)	34,449,833	6.98	34,449,833	5.82
Madam Chiu Ju Ching Lan (Note 4)	188,000	0.04	188,000	0.03
Ms. Margaret Chiu (Note 5)	5,676,240	1.15	5,676,240	0.96
Public				
The Placees (Note 6)	—	—	97,768,000	16.53
Other public Shareholders	236,311,827	47.87	236,311,827	39.96
Total	493,642,675	100.00	591,410,675	100.00

Notes:

- Mr. Deacon Te Ken Chiu is an executive Director. Of the 121,392,476 Shares, 12,491,424 Shares are personal interests and 108,901,052 Shares are held by various private companies owned by Mr. Deacon Te Ken Chiu, including (i) 72,182,400 shares were held by Achiemax Limited; (ii) 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited; and (iii) 7,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Holdings International Limited. Mr. Deacon Te Ken Chiu is a controlling shareholder of these companies and he is also interested in a total of 4,800,000 share options of the Company.
- Mr. Derek Chiu is an executive Director. Of the 95,624,299 Shares, 17,194,000 Shares are personal interests and 78,430,299 Shares are held by Energy Overseas Limited, a private company wholly owned by Mr. Derek Chiu. Mr. Derek Chiu is also interested in a total of 9,300,000 share options of the Company.
- Mr. Dick Tat Sang Chiu is a non-executive Director. Of the 34,449,833 Shares, 12,172,800 Shares are personal interests and 22,277,033 shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.
- Madam Chiu Ju Ching Lan is a non-executive Director and the spouse of Mr. Deacon Te Ken Chiu. Madam Chiu Ju Ching Lan is also interested in a total of 2,000,000 share options of the Company.
- Ms. Margaret Chiu is an executive Director and the daughter of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. Of the 5,676,240 Shares, 676,240 Shares are personal interests and 5,000,000 Shares are held by Brighten Investments Inc., a company wholly owned by her. Ms. Margaret Chiu is also interested in a total of 2,000,000 share options of the Company.

6. The Placing Shares will be placed by the Placing Agent to currently expected not less than six Placees who are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder of the Company. Accordingly, the shareholding held by the Placees is regarded as held by the public.
7. This assumes the Placing is fully placed.
8. The percentages are subject to rounding difference, if any.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“AGM”	the annual general meeting of the Company held on 2 September 2013
“Board”	the board of Directors
“Company”	Far East Hotels And Entertainment Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the board of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under as defined under the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 97,768,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 5 March 2014 in relation to the Placing
“Placing Price”	HK\$0.19 per Placing Share
“Placing Share(s)”	up to 97,768,000 new Shares to be placed pursuant to the Placing Agreement
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Far East Hotels and Entertainment Limited
Mr. Derek Chiu
Managing Director and Chief Executive

Hong Kong, 5 March 2014

As at the date of this announcement, the executive directors are Mr. Deacon Te Ken Chiu, Mr. Derek Chiu and Ms. Margaret Chiu; the non-executive directors are Madam Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu; the independent non-executive directors are Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond.