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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: 00037)

PROPOSALS IN RELATION TO

- (i) RE-ELECTION OF RETIRING DIRECTORS,**
 - (ii) GENERAL MANDATES TO BUY BACK SHARES AND
TO ISSUE SHARES, AND**
 - (iii) TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND
ADOPTION OF THE NEW SHARE OPTION SCHEME**
- AND**
- NOTICE OF ANNUAL GENERAL MEETING**

Capitalised terms used in the lower portion of this cover page and the inside cover page of this circular shall have the same respective meanings as those defined in the section headed "Definitions" of this circular.

A notice convening an annual general meeting of the Shareholders of Far East Hotels and Entertainment Limited to be held at the Conference Room, 2/F, Cheung Chau Warwick Hotel, East Bay, Cheung Chau, Hong Kong on Friday, 2 September 2016 at 3:00 p.m. is set out on pages 30 to 34 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office at Suite 1902, 19th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or its adjournment (as the case may be) (excluding any public holiday in Hong Kong). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or its adjournment should you wish and in such event, the form proxy should be deemed to be revoked.

Hong Kong, 29 July 2016

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This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text of this circular will prevail.

DEFINITIONS

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

“Affiliate”	means any company which is: (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder or substantial shareholder of the Company; or (e) a company controlled by a controlling shareholder or substantial shareholder of the Company; or (f) a company controlled by the Company, a controlling shareholder or a substantial shareholder of the Company; or (g) an associated company of a holding Company of the Company; or (h) an associated company of the Company
“AGM”	the annual general meeting of the Company to be held at the Conference Room, 2/F, Cheung Chau Warwick Hotel, East Bay, Cheung Chau, Hong Kong on Friday, 2 September 2016 at 3:00 p.m., the notice of which is set out in Notice of Annual General Meeting of this circular
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“associated company”	has the meaning ascribed thereto under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Articles of Association”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	the independent auditor of the Company from time to time

DEFINITIONS

“Board”	the board of Directors
“business day”	has the meaning ascribed thereto under the Listing Rules
“Buy-back Mandate”	the general mandate to be unconditionally given to the Directors to buy back Shares up to 10% of the aggregate number of Shares in issue, the particulars of which are set out in resolution no. 6 of the notice of the AGM
“Buy-back Proposal”	the proposal as described in the Buy-back Resolution whereby a general mandate is to be given to the Directors to exercise the powers of the Company to buy back Shares up to 10% of the aggregate number of Shares in issue as at the date of passing the Buy-back Resolution
“Buy-back Resolution”	the proposed ordinary resolution as set out in resolution no. 6 of the notice of the AGM
“chief executive”	has the meaning ascribed thereto under the Listing Rules
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	Far East Hotels and Entertainment Limited, a company duly incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 00037)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Date of Grant”	the date which must be a business day on which the Board resolves to grant an Option to an Eligible Participant under the New Share Option Scheme

DEFINITIONS

“Director(s)”	the director(s) of the Company for the time being
“Eligible Participant(s)”	any person(s) who satisfy(ies) the eligibility criteria in paragraph 2 of Appendix III
“Existing Share Option Scheme”	the only existing share option scheme adopted by the Company on 1 June 2007
“Grantee(s)”	the Eligible Participant(s) who accept(s) an offer of an option made in accordance with the terms of the New Share Option Scheme or (where the context so permits) his Personal Representative(s)
“Group”	the Company and its subsidiaries from time to time
“holding company”	has the meaning ascribed thereto under the Listing Rules.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“INED(s)”	the independent non-executive Director(s);
“Issue Mandate”	the general mandate to be unconditionally given to the Directors to allot, issue and deal with additional Shares not exceeding 20% of the issued Shares, the particulars of which are set out in resolution no. 5 of the notice of the AGM
“Latest Practicable Date”	22 July 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“New Share Option Scheme”	the new share option scheme proposed to be adopted at the AGM, the principal terms of which are set out in Appendix III to this circular
“Nomination Committee”	the nomination committee of the Board
“Option(s)”	Option(s) to subscribe for Shares granted pursuant to the New Share Option Scheme

DEFINITIONS

“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“Remuneration Committee”	the remuneration committee of the Board
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all share options granted and to be granted under the Existing Share Option Scheme, which initially shall not in aggregate exceed 10% of the aggregate number of the Shares in issue as at the date of adoption of the Existing Share Option Scheme by the Shareholders and thereafter, if refreshed shall not exceed 10% of the aggregate number of the Shares in issue at the date of the approval of the refreshed Scheme Mandate Limit by the Shareholders
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph 11, subject to any adjustments made pursuant to paragraph 14 of Appendix III to this circular
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Shares Buy-backs as amended, supplemented or otherwise modified from time to time and administered by the Securities and Futures Commission of Hong Kong
“\$”	Hong Kong dollars
“%”	per cent.



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: 00037)

Executive Directors:

Derek Chiu, B.A. (*Managing Director and Chief Executive*)
Margaret Chiu, LL.B.
Alex Chiu, B.Sc.
Amanda Chiu, B.A.

Registered & Principal Office:

Suite 1902, 19th Floor,
The Sun's Group Centre,
200 Gloucester Road,
Wanchai, Hong Kong.

Non-executive Directors:

Chiu Ju Ching Lan, J.P.
Dick Tat Sang Chiu, M.A.

Independent Non-executive Directors:

Ip Shing Hing, J.P.
Ng Wing Hang Patrick
Choy Wai Shek Raymond, MH, J.P.

29 July 2016

To the Shareholders

Dear Sir or Madam,

PROPOSALS IN RELATION TO
(i) RE-ELECTION OF RETIRING DIRECTORS
(ii) GENERAL MANDATES TO BUY BACK SHARES AND
TO ISSUE SHARES, AND
(iii) TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with the notice of the AGM and information regarding the resolutions to be proposed at the forthcoming AGM. These include the ordinary resolutions (i) relating to the re-election of retiring Directors; (ii) granting the

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

Directors general mandates to buy back Shares and to issue Shares; and (iii) relating to the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

RE-ELECTION OF RETIRING DIRECTORS

The Board comprises nine directors, of which four are executive Directors, namely Mr. Derek Chiu, Ms. Margaret Chiu, Mr. Alex Chiu and Ms. Amanda Chiu; two are non-executive Directors, namely Madam Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu; three are independent non-executive Directors, namely Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond.

Article 83 of the Articles of Association provides that the Directors shall have power at any time and from time to time appoint any other person to be a Director of the Company, in order to fill a casual vacancy or as an additional member to the Board, but so that such person appointed shall hold office only until the next following ordinary general meeting and shall then be eligible for re-election and so that the total number of Directors shall not at any time exceed the maximum number fixed as mentioned in the Articles of Association. Accordingly, Mr. Alex Chiu and Ms. Amanda Chiu who were appointed by the Board as Directors on 1 September 2015 shall retire at the AGM and both of them, being eligible, have offered themselves for re-election.

Moreover, in accordance with Articles 78 and 79 of the Articles of Association and code provision A.4.2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Madam Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu will retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.

The Board, upon the recommendation of the Nomination Committee, has proposed the re-election of all the retiring Directors. Such proposal will be put forward at the AGM for Shareholders' consideration and approval by way of ordinary resolutions.

Details of the above retiring Directors that are required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

GENERAL MANDATE TO BUY BACK SHARES

At the last annual general meeting of the Company held on 31 August 2015, a general mandate was given to the Board to exercise the power of the Company to buy back the Shares. Such mandate will lapse at the conclusion of the AGM. Therefore, at the AGM, an ordinary resolution will be proposed that the Directors be granted a new general and unconditional mandate to exercise all powers of the Company to buy back the Share(s) on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, up to 10% of the aggregate number of Shares in issue as at the date of the resolution approving the Buy-back Mandate.

As at the Latest Practicable Date, there were a total of 602,110,675 Shares in issue. Subject to the passing of the resolution granting the Buy-back Mandate and on the basis that no further Shares are issued or bought back and cancelled before the AGM date, the

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

Company will be allowed to buy back a maximum of 60,211,067 Shares. An explanatory statement, as required by the relevant provisions set out in the Listing Rules, to provide requisite information to you for consideration of the Buy-back Proposal is set out in Appendix I to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the AGM. The Directors propose to seek your approval of the Buy-back Resolution to be proposed at the AGM.

GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed that the Directors be granted a new general and unconditional mandate to allot, issue, and deal with Shares not exceeding 20% of the aggregate number of Shares in issue as at the date of the resolution.

As at the Latest Practicable Date, there were a total of 602,110,675 Shares in issue. Subject to the passing of the resolution granting the Issue Mandate and on the basis that no further Shares are issued or bought back and cancelled before the AGM date, the Company will be allowed to issue a maximum of 120,422,135 Shares under the Issue Mandate.

In addition, an ordinary resolution will be proposed at the AGM adding any Shares bought back under the Buy-back Mandate to the Issue Mandate. The Buy-back Mandate and the Issue Mandate, if approved at the AGM, will continue in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws in Hong Kong to be held or until it is revoked or varied by ordinary resolution of the Shareholders in a general meeting held prior to the next annual general meeting of the Company, whichever is the earliest.

TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME

Termination of the Existing Share Option Scheme

The Existing Share Option Scheme was adopted on 1 June 2007 and will expire on 31 May 2017. The Company has no other subsisting share option scheme other than the Existing Share Option Scheme as at the Latest Practicable Date. As at the Latest Practicable Date, the Company has granted options to subscribe for a total of 54,000,000 Shares under the Existing Share Option Scheme, of which options comprising (i) 15,500,000 underlying Shares were exercised; (ii) 7,300,000 underlying Shares lapsed; (iii) no underlying Shares were cancelled; and (iv) 31,200,000 underlying Shares were outstanding. The Company is only allowed to further grant options to subscribe for 9,184,267 Shares under the Existing Share Option Scheme.

Pursuant to the terms of the Existing Share Option Scheme, the Company may, with the approval of the Shareholders in a general meeting, terminate the operation of the Existing Share Option Scheme at any time. Upon termination of the Existing Share Option Scheme, no further options shall be offered thereunder but the provisions of the Existing

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

Share Option Scheme in all other respects shall remain in force and effect. The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Existing Share Option Scheme.

Adoption of the New Share Option Scheme

General

At the AGM, an ordinary resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme as the new share option scheme of the Company.

The New Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and the adoption of the New Share Option Scheme is subject to the approval by the Shareholders at the AGM.

The New Share Option Scheme is conditional upon the passing of an ordinary resolution by the Shareholders at the AGM approving the adoption of the New Share Option Scheme and authorising the Board to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme.

The grant of Options under the New Share Option Scheme is conditional upon the Listing Committee granting the approval for the listing of, and the permission to deal in the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Options to be granted under the New Share Option Scheme.

Application will be made to the Listing Committee for the grant of listing of and permission to deal in the Shares, representing 10% of the issued Shares as at the date of the AGM to be issued pursuant to the exercise of Options to be granted under the New Share Option Scheme.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. The full terms of the New Share Option Scheme can be inspected at the Company's registered and principal office at Suite 1902, 19th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the AGM and at the AGM.

Valuation of the Options

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date given that the variables which are crucial for the calculation of the value of such Options have not been determined. Such variables include but are not limited to the subscription price, the exercise period and lock-up period (if any), and the predetermined performance target (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

Reasons for adoption of the New Share Option Scheme

The Board is of the opinion that for the sake of continuity and administrative convenience, it is more appropriate for the Company to adopt the New Share Option Scheme (which will last for 10 years) before the expiry of the Existing Share Option Scheme and terminate the Existing Share Option Scheme only 9 months earlier before its expiry at the AGM instead of obtaining Shareholders' approval for a refreshment of the Scheme Mandate Limit, which will last for about 9 months.

The Board considers that in order to enable the Group to motivate the Eligible Participants to utilize their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain an ongoing relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the success of the business of the Group.

In view of the above, the Board considers that the adoption of the New Share Option Scheme is in the best interests of the Company and the Shareholders as a whole. The Board, therefore, proposes to recommend to the Shareholders at the AGM to approve the adoption of the New Share Option Scheme.

How the terms of the New Share Option Scheme will serve the purpose of the New Share Option Scheme

The New Share Option Scheme sets out the basis of eligibility of the Eligible Participants, who include (a) a director (whether executive, non-executive, independent non-executive or alternate), an officer or employee (whether full time, part time, seconded or otherwise) of the Company or any Affiliate; (b) a representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any Affiliate to provide service or goods to the Company or any Affiliate; (c) a customer, promoter, business ally, joint-venture partner or shareholder of the Company or any Affiliate; or (d) a trustee of any trust established for the benefit of employees of the Company or any Affiliate; or (e) any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Company or any subsidiary or as having spent any material time in or about the promotion of the business of the Company or any subsidiary.

The Board will assess the eligibility of the Eligible Participants based on their individual performance, time commitment, responsibilities and employment conditions according to the prevailing market practice and industry standard, or where appropriate, contribution to the profits of the Group during the financial year.

The New Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the Board may, at its sole discretion, determine such terms and impose such other restrictions on the grant of an Option. The New Share Option Scheme

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

also sets out the basis of determining the exercise price of an Option. Subject to the Listing Rules, the Board has the discretion in determining the exercise price in respect of any Option.

The Directors, therefore, consider that the aforesaid criteria and rules will enable the Directors to properly operate and regulate the New Share Option Scheme and, thus, help serve the purpose of the New Share Option Scheme and to preserve the value of the Company.

Maximum number of Shares available for subscription

Subject to the adoption of the New Share Option Scheme by the Shareholders, the total number of Shares which may be issued upon the exercise of all the Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the New Share Option Scheme.

Based on 602,110,675 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued Shares before the AGM, the maximum number of Shares to be issued upon the exercise of the Options that may be granted under the New Share Option Scheme is 60,211,067 Shares (the “**New Scheme Mandate Limit**”).

The Company may seek approval of the Shareholders in general meetings to refresh the New Scheme Mandate Limit. Notwithstanding that the New Scheme Mandate Limit may be refreshed, the Board shall not grant Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all the outstanding Options granted but yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company exceeding, in aggregate, 30% of the issued Shares from time to time. As at the Latest Practicable Date, such 30% limit represented 180,633,202 Shares.

Compliance with the Listing Rules

The provisions of the New Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules.

None of the Directors are appointed as trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees of the New Share Option Scheme.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution approving the New Share Option Scheme.

NOTICE OF AGM

A notice convening the AGM is set out on pages 30 to 34 of this circular. A form of proxy for use in connection with the AGM is despatched with this circular and published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.tricor.com.hk/web/service/00037). If you are not able to attend the AGM but wish to

LETTER FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE

exercise your right as a Shareholder, you are requested to complete the form of proxy and return it to the Company's registered and principal office at Suite 1902, 19th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding of the AGM or its adjourned meeting (as the case may be) (excluding any public holiday in Hong Kong). Completion and return of a form of proxy will not preclude you from attending and voting at the AGM and its adjournment if you so wish and in such event, the form of proxy should be deemed to be revoked.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll except where the chairman of the AGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the AGM will demand a poll for each and every resolution put forward at the AGM pursuant to article 57 of the Articles of Association. The Company will appoint scrutineers to handle vote-taking procedures at the AGM. The results of the poll will be published on the respective websites of the Stock Exchange and the Company as soon as possible in accordance with Rule 13.39(5) of the Listing Rules.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein in this circular misleading.

RECOMMENDATION

The Directors consider that the ordinary resolutions in relation to the re-election of retiring Directors, the Buy-back Mandate, the Issue Mandate, the extension of the Issue Mandate, the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme as set out in the notice of AGM are in the best interests of the Company and the Shareholders as a whole. The Directors, therefore, recommend the Shareholders to vote in favour of each of the above ordinary resolutions as set out in the notice of the AGM.

Yours faithfully,

For and on behalf of the Board

Far East Hotels and Entertainment Limited

DEREK CHIU

Executive Director, Managing Director and Chief Executive

APPENDIX I EXPLANATORY STATEMENT ON SHARE BUY-BACK

This Appendix serves as an explanatory statement, as required pursuant to Rule 10.06(1)(b) of the Listing Rules, to provide certain information to the Shareholders for consideration of the Buy-back Mandate, and also constitutes the memorandum as required under Section 239(2) of the Companies Ordinance.

1. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 602,110,675 Shares in issue.

Subject to the passing of the resolutions granting the Buy-back Mandate and on the basis that no further Shares are issued or bought back and cancelled before the AGM, the Company will be allowed to buy back up to 60,211,067 Shares, representing approximately 10% of the aggregate number of Shares in issue at the date of passing of the relevant resolution.

2. REASONS FOR BUY-BACK

The Directors believe that the Buy-back Proposal is in the best interests of the Company and the Shareholders. Such buy-back may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such a buy-back will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASE

Any buy-back made pursuant to the Buy-back Mandate will be funded out of funds legally available for such purpose in accordance with the Articles of Association and the Companies Ordinance. Such funds include the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purposes of the buy-back.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements contained in the annual report for the year ended 31 March 2016) in the event that the Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors will not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital requirements or the gearing levels of the Company.

APPENDIX I EXPLANATORY STATEMENT ON SHARE BUY-BACK

4. SHARE PRICES

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Share Prices Per Share	
	Highest HK\$	Lowest HK\$
2015		
July	1.010	0.435
August	0.840	0.500
September	0.630	0.465
October	0.610	0.490
November	0.560	0.475
December	0.485	0.420
2016		
January	0.475	0.330
February	0.415	0.310
March	0.460	0.375
April	0.495	0.350
May	0.465	0.400
June	0.435	0.370
July (up to and including the Latest Practicable Date)	0.400	0.345

5. UNDERTAKING AND DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to the Company, if the Buy-back Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the Buy-back Mandate in accordance with the Listing Rules, the Companies Ordinance and the regulations set out in the Articles of Association.

No connected person has notified the Company that such a person has a present intention to sell, or has undertaken not to sell, any Shares to the Company, if the Buy-back Mandate is approved by the Shareholders.

6. TAKEOVERS CODE

If, as a result of a buy-back of Shares, 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 Takeovers Code. Accordingly, a Shareholder, or a group of

APPENDIX I EXPLANATORY STATEMENT ON SHARE BUY-BACK

Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

The Takeovers Code further provides that where any person who together with persons acting in concert, holds not less than 30% but not more than 50% of the voting rights, acquires in any period of twelve months additional shares carrying more than 2% of the voting rights, such a person should make a general/mandatory offer to the other shareholders of the same class to acquire as soon as practicable thereafter the remaining shares of the same class.

As at the Latest Practicable Date, Mr. Derek Chiu, Mr. Dick Tat Sang Chiu, Madam Chiu Ju Ching Lan and Ms. Margaret Chiu, being Directors together with their respective close associates were beneficially interested in an aggregate of 253,364,848 Shares, representing approximately 42.08% of the issued Shares. Based on such shareholdings and in the event that the Directors exercised in full the power to buy back Shares under the Buy-back Proposal, if so approved at the AGM, and assuming that no further Shares are issued or bought back and cancelled prior to the date of the AGM, the shareholdings of Mr. Derek Chiu, Mr. Dick Tat Sang Chiu, Madam Chiu Ju Ching Lan and Ms. Margaret Chiu together with their respective close associates would be increased to approximately 46.75% of the issued share capital of the Company.

Therefore, the Directors would not implement the Buy-back Mandate to the extent that such a general/mandatory offer may arise under the Takeovers Code as a result of any buy-back made under the Buy-back Proposal. In the event that the Buy-back Proposal is exercised in full, the number of Shares held by the public would not fall below 25%.

7. SHARE BUY-BACK MADE BY THE COMPANY

The Company had not bought back any of its Shares (whether on the Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

The following are the particulars of the Directors proposed to be re-elected at the AGM.

Mr. Alex Chiu

Mr. Chiu, aged 25, was appointed as an executive Director with effect from 1 September 2015. He is also a director of a subsidiary of the Company. He holds a bachelor's degree from The Art Institute of California, United States of America. He is the son of Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company and the brother of Ms. Amanda Chiu, an executive Director. He is also a grandson of Madam Chiu Ju Ching Lan, a non-executive Director, and a nephew of both Mr. Dick Tat Sang Chiu, a non-executive Director, and Ms. Margaret Chiu, an executive Director.

Save as disclosed above, (i) Mr. Chiu has not held any directorships in any other public companies in Hong Kong or overseas in the last three years; (ii) he does not have any interests in the shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iii) he does not have any relationships with any Directors, senior management or substantial shareholders or controlling shareholders of the Company; and (iv) he does not hold other positions with other members of the Group.

There is no service contract entered into between Mr. Chiu and the Company or any of its subsidiaries. He is entitled to receive a director's fee of HK\$10,000 per annum approved by the Board upon the recommendation of the Remuneration Committee (by reference to the market conditions). The term of office of Mr. Chiu is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Save as disclosed above, the Board is not aware of any other matters in relation to the re-election of Mr. Chiu that need to be brought to the attention of the Shareholders and there is no information in respect of Mr. Chiu which is required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

Ms. Amanda Chiu

Ms. Chiu, aged 23, was appointed as an executive Director with effect from 1 September 2015. She holds a bachelor's degree from the University of the Arts London, England. She is the daughter of Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company and the sister of Mr. Alex Chiu, an executive Director. She is also a granddaughter of Madam Chiu Ju Ching Lan, a non-executive Director, and a niece of both Mr. Dick Tat Sang Chiu, a non-executive Director, and Ms. Margaret Chiu, an executive Director.

Save as disclosed above, (i) Ms. Chiu has not held any directorships in any other public companies in Hong Kong or overseas in the last three years; (ii) she does not have any interests in the shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iii) she does not have any

relationships with any Directors, senior management or substantial shareholders or controlling shareholders of the Company; and (iv) she does not hold other positions with other members of the Group.

There is no service contract entered into between Ms. Chiu and the Company or any of its subsidiaries. She is entitled to receive a director's fee of HK\$10,000 per annum approved by the Board upon the recommendation of the Remuneration Committee (by reference to the market conditions). The term of office of Ms. Chiu is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Save as disclosed above, the Board is not aware of any other matters in relation to the re-election of Ms. Chiu that need to be brought to the attention of the Shareholders and there is no information in respect of Ms. Chiu which is required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

Madam Chiu Ju Ching Lan

Madam Chiu, aged 76, was appointed as Director of the Company in 1979. She is also a director of several subsidiaries of the Company. Since 1975, she has been the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was the Chairlady of Yan Chai Hospital for 1977/78. She is the founder and Honorary Chairman of New Territories Women's and Juveniles Welfare Association. She is the Chairman of the Incorporated Management Committee and the Supervisor of the three schools by the name of Ju Ching Chu Secondary School, and the Chairman of Kowloon Women's Welfare Club. She was a member of Shanghai Standing Committee Chinese People's Political Consultative Conference for 25 years from 1982 to 2007. She has also been an Honorary Vice-President of Hong Kong Federation of Women since 1997. She is the mother of Mr. Dick Tat Sang Chiu, a non-executive Director, Ms. Margaret Chiu, an executive Director, and Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company, and the grandmother of Mr. Alex Chiu and Ms. Amanda Chiu, both executive Directors.

As at the Latest Practicable Date, she beneficially owned 188,000 Shares, representing approximately 0.03% of the issued Shares and was interested in share options to subscribe for an aggregate of 2,000,000 Shares.

Save as disclosed above, (i) Madam Chiu has not held any directorships in any other public companies in Hong Kong or overseas in the last three years; (ii) she does not have any interests in the shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iii) she does not have any relationships with any Directors, senior management or substantial shareholders or controlling shareholders of the Company; and (iv) she does not hold other positions with other members of the Group.

There is no service contract entered into between Madam Chiu and the Company or any of its subsidiaries. She is entitled to receive a director's fee of HK\$10,000 per annum determined by the Board (by reference to the market conditions and as approved by the

Shareholders at the latest annual general meeting). The term of office of Madam Chiu is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Save as disclosed above, the Board is not aware of any other matters in relation to the re-election of Madam Chiu that need to be brought to the attention of the Shareholders and there is no information in respect of Madam Chiu which is required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

Mr. Dick Tat Sang Chiu

Mr. Dick Chiu, aged 65, joined the Group in 1974 and was appointed as Director of the Company in 1979. He is also a director of several subsidiaries of the Company. He is the founder of Warwick International Hotel Group and serves as its president. He graduated from the University of Cambridge, England with an honour Master of Arts degree in Economics. He is a son of Madam Chiu Ju Ching Lan, a non-executive Director, and a brother of Ms. Margaret Chiu, an executive Director, and Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company. He is also an uncle of Mr. Alex Chiu and Ms. Amanda Chiu, both executive Directors.

As at the Latest Practicable Date, he beneficially owned 24,449,833 Shares, representing approximately 4.06% of the issued shares of the Company.

Save as disclosed above, (i) Mr. Dick Chiu has not held any directorships in any other public companies in Hong Kong or overseas in the last three years; (ii) he does not have any interests in the shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iii) he does not have any relationships with any Directors, senior management or substantial shareholders or controlling shareholders of the Company; and (iv) he does not hold other positions with other members of the Group.

There is no service contract entered into between Mr. Dick Chiu and the Company or any of its subsidiaries. He is entitled to receive a director's fee of HK\$10,000 per annum determined by the Board (by reference to the market conditions and as approved by the shareholders of the Company at the latest annual general meeting). The term of office of Mr. Dick Chiu is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Save as disclosed above, the Board is not aware of any other matters in relation to the re-election of Mr. Dick Chiu that need to be brought to the attention of the Shareholders and there is no information in respect of Mr. Dick Chiu which is required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

The following is a summary of the principal terms of the New Share Option Scheme, but does not form part of, nor is it intended to be part of, the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

Purpose

1. (a) The New Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions which the Eligible Participants have made or will make to the Group and promote the long term success of the Company by aligning the interests of the Grantees with those of the Shareholders.
- (b) The New Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilise their performance and efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining an ongoing relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth and development of the Group.

Participants and basis for determining eligibility of participants

2. The Board may at its discretion grant Options to any person who is (a) a director (whether executive, non-executive, independent non-executive or alternate), an officer or employee (whether part-time, full-time, seconded or otherwise) of the Company or any Affiliate; (b) a representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any Affiliate to provide service or goods to the Company or any Affiliate; (c) a customer, promoter, business ally, joint venture partner or shareholder of the Company or any Affiliate; (d) a trustee of any trust established for the benefit of employees of the Company or any Affiliate; or (e) any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Company or any Affiliate or as having spent any material time in or about the promotion of the business of the Company or any Affiliate.

The basis of eligibility of any of the above classes of Eligible Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

Maximum number of Shares available for subscription

3. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes for the time being of the Company shall not, in aggregate, exceed such number of Shares as equals 30% of the Shares in issue from time to time, subject to the conditions set out below. No option may be granted under the New Share Option Scheme or any other schemes of the Company if it will result in the above-mentioned 30% limit being exceeded.

Within the 30% limit:

- (a) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme by the Shareholders (the “**New Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to paragraphs 3(b) or 3(c). Options lapsed in accordance with the terms of the New Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) The New Scheme Mandate Limit referred to under paragraph 3(a) may be refreshed by the Shareholders in general meeting from time to time but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders. Options previously granted under the New Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the New Share Option Scheme or any other schemes of the Company or exercised options) will not be counted for the purpose of calculating the limit as refreshed.
- (c) Notwithstanding the foregoing, the Board may seek separate approval of the Shareholders in general meeting to grant Options beyond the New Scheme Mandate Limit or the refreshed limit referred to in paragraph 3(b), provided that the Options in excess of the New Scheme Mandate Limit or the refreshed limit shall be granted only to the Eligible Participants specifically identified by the Company before such approval is sought. A circular containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and other information required under the Listing Rules must be sent to the Shareholders.

Maximum number of Shares to any one individual

- 4. Subject to paragraph (5), no Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant (including both exercised and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1% of the Shares in issue as at the date of such new grant. Any grant of further Options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders at a general meeting, with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant having been sent by the Company to its Shareholders with such information from time to time required by the Listing Rules;
- (iii) the number and terms of the Options (including the Subscription Price) to be granted to such proposed Grantee shall be fixed before the approval of the Shareholders as mentioned in paragraph (i).

Grant of Options to connected persons

5. (a) Any grant of Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the INEDs (excluding any INED who is a Grantee of the relevant Options).
- (b) Where any grant of Options to an INED or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue, and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

then such further grant must be subject to the approval by Shareholders at a general meeting. The Grantee, his associates and all core connected persons of the Company must abstain from voting in favour of such resolution in such general meeting. The Company shall issue and send a circular to the Shareholders containing such information from time to time required by the Stock Exchange, including a recommendation from the INEDs (excluding any INED who is a Grantee of the relevant Options) on whether or not to vote in favour of the proposed grant.

The circular mentioned above must contain:

- (i) details of the number and terms (including the Subscription Price) of the Options to be granted to such Eligible Participant, which must be fixed before the Shareholders' meeting, and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price;

- (ii) a recommendation from the INEDs (excluding INED who is the Grantee of the Options) to the independent Shareholders as to voting; and
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4); and the information required under Rule 2.17 of the Listing Rules.

Exercise of Options

6. (a) The period within which the Options must be exercised (the “**Option Period**”) will be specified by the Company at the time of grant, but shall expire no later than 10 years from the relevant Date of Grant.
- (b) In the event of the Grantee (being an individual) ceasing to be an Eligible Participant by reason of his death before exercising his Option in full and none of the events for termination of employment or engagement under paragraph 13(c) then exists with respect to such Grantee, his Personal Representative(s) may exercise such Option (to the extent vested and not already exercised) in whole or in part within a period of 12 months (or such other period as the Board may determine) from the date of his death and any Option not so exercised shall lapse and determine at the expiry of such period.
- (c) In the event of the employing, appointing or engaging company of a Grantee who is a director, officer, employee, representative, manager, agent, contractor, advisor, consultant, distributor, supplier, customer, promoter, business ally, joint venture partner or shareholder of the Company or an Affiliate ceasing to be the Company or an Affiliate or in the event of the Grantee (being an individual) ceasing to be an Eligible Participant by reason of his ill-health, injury or disability which is not self-inflicted (in each case evidenced to the satisfaction of the Board), then the Grantee may exercise his Option (to the extent vested and not already exercised) in whole or in part at any time within a period of 12 months commencing on the date of the cessation and any Option not so exercised shall lapse and determine at the end of such period.
- (d) In the event of the Grantee (a) who is a director, officer or employee of the Company or an Affiliate ceasing to be such a director, officer or employee of the Company or an Affiliate by the reason of his retirement from office or employment (whether by agreement, upon reaching the applicable retirement age in accordance with the terms of the Grantee’s appointment or employment contract or otherwise pursuant to any applicable laws, rules or regulations or the constitutional documents of the Company or the Affiliate) or by reason of his being removed as a director, resignation or by the reason of termination of his employment or appointment by his employing, appointing or engaging company whether on notice or with pay in lieu of such notice; or (b) who is a representative, manager, agent, contractor, advisor, consultant, distributor, supplier, customer, promoter, business ally, joint venture partner or shareholder of the Company or an Affiliate ceasing to be such a representative, manager, agent,

contractor, advisor, consultant, distributor, supplier, customer, promoter, business ally, joint venture partner or shareholder of the Company or an Affiliate by reason of termination of his/its employment, appointment or engagement, such Option (to the extent not already exercised) shall lapse on the date of cessation of office, employment, appointment or contract of engagement (as the case may be) and not be exercisable.

For the purpose of this paragraph 6(d), a Grantee who is a director will not be treated as ceasing to be a director if he retires and is re-elected as a director in a general meeting of the company concerned on the same day of his retirement.

- (e) In the event of the Grantee ceasing to be an Eligible Participant on one or more of the grounds specified in paragraph 13(c) or for any reason other than as described in paragraphs 6(b) to 6(d), then all his Options shall lapse and determine without compensation on the date he so ceases (to the extent not already exercised).
- (f) If, in consequence of any general offer made to all the Shareholders (or all such Shareholders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) (including an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, then the Board shall as soon as practicable thereafter notify every Grantee accordingly and each Grantee (or his Personal Representative) shall be entitled at any time within the period of 21 days after such offer becomes or is declared unconditional, to exercise all or any of his outstanding Options (to the extent that such Options have been vested and have not lapsed or been cancelled), and such Options shall, to the extent not having been exercised, lapse and determine without compensation upon the expiry of such period.
- (g) In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding up of the Company, the Company shall forthwith give notice thereof to every Grantee and the Grantee (or his Personal Representative) shall be entitled by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed general meeting) to exercise all or any of his Option (to the extent that such Options have been vested and have not lapsed or been cancelled) and the Company shall as soon as possible and in any event not later than the day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the Grantee, which fall to be issued on such exercise and all Options shall, to the extent not having been exercised, lapse and determine without compensation on the date of commencement of the winding up of the Company.

- (h) If a compromise or arrangement between the Company and the Shareholders or creditors of the Company is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to every Grantee on the same day as it despatches to each Shareholder or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his Personal Representative) shall be entitled by notice in writing to the Company accompanied by the remittance for the Subscription Price in respect of his Option (such notice to be received by the Company not later than two business days prior to the proposed meeting) to exercise all or any of his Option (to the extent that such Options have been vested and have not lapsed or been cancelled). With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent not having been exercised, thereupon lapse and determine without compensation. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph (h) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court having jurisdiction (the “**Court**”) (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court), the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.
- (i) Upon the occurrence of any of the events referred to in paragraphs 6(f) to 6(h), the Company may at its discretion and notwithstanding the terms of the relevant Option, also give notice to the Grantee that his Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company issues such notice, the balance of the Options shall lapse.

In any case where Options lapse pursuant to paragraphs 6(b) to 6(e), the Board may in its absolute discretion determine that all or any of such Options shall not so lapse (or shall lapse on a later date) subject to such conditions or limitations as the Board may decide.

Grant of Options

7. At the time of the grant of the Options, the Company may specify any minimum period(s) for which an Option must be held before it can be exercised. The New Share Option Scheme does not contain any such minimum period.
8. At the time of the grant of the Options, the Company may specify any performance target(s) which must be achieved before the Options can be exercised. The New Share Option Scheme does not contain any performance targets.
9. An offer of Options (“**Offer**”) shall be deemed to have been accepted by an Eligible Participant in respect of all Shares which are offered to such Eligible Participant (save when acceptance of a lesser number of Shares is clearly stated in the duplicate letter comprising acceptance of the Offer) when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company at its registered office within 28 days from the date of Offer (or such longer or shorter period as the Board may specify in the letter of Offer). Such remittance shall in no circumstances be refundable.
10. Shares allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Allotment Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions (including distributions made upon the liquidation of the Company) paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Allotment Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights nor rank for dividend or other distribution until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

Subscription Price

11. The Subscription Price in respect of any Option shall, subject to any adjustments made pursuant to paragraph 14, be at the discretion of the Board, provided that it must be at least the higher of:
 - (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the relevant Date of Grant in respect of such Option; and
 - (b) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the relevant Date of Grant in respect of such Option.

Term of the New Share Option Scheme

12. The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the New Share Option Scheme (the “**Adoption Date**”). No further Options shall be offered or granted under the New Share Option Scheme on or after the date of the tenth anniversary of the Adoption Date.

Early termination of Option Period

13. The Option Period referred in paragraph 6(a) in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:
- (a) the expiry of the Option Period (subject to the provisions of the New Share Option Scheme);
 - (b) any expiry date or the expiry of any of the periods referred to in paragraphs 6(b) to 6(i);
 - (c) the date on which the Grantee ceases to be an Eligible Participant by reason of a termination of his employment, appointment or engagement on the grounds that:
 - (i) he has been guilty of persistent or serious misconduct; or
 - (ii) he appears either to be unable to pay or to have no reasonable prospect of being able to pay debts; or
 - (iii) he has committed any act of bankruptcy or has become bankrupt or insolvent or has made any arrangement or composition with his creditors generally; or
 - (iv) he has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the Grantee or the Group into disrepute);
 - (d) the date of commencement of the winding up of the Company;
 - (e) the date on which the Grantee commits a breach of paragraph 17;
 - (f) the date on which any of the following events, unless otherwise waived by the Board, happen:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee (being a corporation);

- (ii) the Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of Section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong or any similar laws or regulations) or otherwise become insolvent;
- (iii) there is unsatisfied judgement, order or award outstanding against the Grantee (being a corporation);
- (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
- (v) a bankruptcy order has been made against any director of the Grantee (being a corporation) in any jurisdiction; or
- (vi) a petition for bankruptcy has been presented against any director of the Grantee (being a corporation) in any jurisdiction;
- (g) the date on which the Grantee commits a breach of any terms and conditions attached to the grant of its Option, if the Board shall exercise the Company's right to cancel the Option without compensation;
- (h) the date on which the Board considers that the Grantee fails to meet the continuing eligibility criteria as provided in the New Share Option Scheme, if the Board shall exercise the Company's right to cancel the Option without compensation; or
- (i) the date on which the Board resolves to cancel any Option pursuant to paragraph 15.

If any of the events set out in paragraph 13(f) happens or the Grantee commits a breach of any terms and conditions of the New Share Option Scheme or the grant of his Option, the Board shall have the right to cancel his Option without compensation. If an Option lapses under paragraph 13, the Grantee shall not be entitled to any compensation from the Company.

Reorganisation of capital structure

14. (a) In the event of any alteration in the capital structure of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party unless the amount exceeds 5% of the issued Shares at the date of the issue) whilst any Option remains exercisable or the New Share Option Scheme remains in effect, and such event arises from a capitalization of profits or reserves, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company (other than a repurchase of Shares on the Stock Exchange) in accordance with legal requirements and requirements of the Stock

Exchange, then, in any such case the number of Shares to which the New Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised) and/or the Subscription Price thereunder may be adjusted in such manner as the Board may deem appropriate provided always that (save where an adjustment arises by way of a capitalisation issue):

- (i) any such adjustment shall be made on the basis that the proportion of the issued Shares for which any Grantee would have been entitled had he exercised all the Options held by him immediately prior to such adjustment shall equal to the proportion of the issued Shares for which he would have been entitled had he exercised all the Options held by him immediately after such adjustment (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 and any guidance and interpretation issued from time to time by the Stock Exchange relating to share option schemes (the “**Supplementary Guidance**”));
 - (ii) any such adjustment shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; and
 - (iii) any adjustments as a result of a rights issue, open offer or capitalization issue shall be made in accordance with the acceptable adjustments set forth in the Supplementary Guidance and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.
- (b) If any adjustments occur pursuant to paragraph 14(a) above (save where an adjustment arises by way of a capitalisation issue) the Board shall instruct the Auditor or an independent financial adviser to certify in writing that in their fair and reasonable opinion the adjustments proposed complies with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the note thereto and the Supplementary Guidance.
- (c) If there has been any alteration in the capital structure of the Company as referred to in paragraph 14(a), the Company shall, upon receipt of a notice from a Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditor or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditor or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 14(b).
- (d) In giving any certificate under this paragraph 14, the Auditor and the independent financial adviser shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby.

Cancellation of Options

15. (a) The Board may cancel any Option provided that: (i) the Company pays to the Grantee an amount equal to the cash value of the Option at the date of cancellation as determined by the Board by reference to the difference between the market value of a Share and the Subscription Price; or (ii) the Board offers to grant to the Grantee replacement Options of equivalent value of the Options being cancelled; or (iii) the Board makes such arrangements as the Grantee may agree to compensate him for the loss of the Option. Where the Company cancels Options and issue new Options to the same Grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit and/or the refreshed limit(s) as referred to in paragraph 3(b) (as the case may be).
- (b) Any Options granted but subsequently renounced by the Grantee may be cancelled by the Board without compensation.

Termination of the New Share Option Scheme

16. The Company by an ordinary resolution of the Shareholders in a general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event, no further Options will be offered but the provisions of the New Share Option Scheme in all other respects shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and any Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

Rights of the Options

17. An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee without compensation to the extent not already exercised without incurring any liability on the part of the Company.

Alteration of the New Share Option Scheme

18. (a) The New Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the New Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of any Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in a general meeting with the Eligible Participants and their associates abstaining from voting. Any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any

change to the terms of the Options granted prior to such alteration shall be approved by the Shareholders in a general meeting, except that the terms of the Options granted can be changed by the Board if the alterations take effect automatically under the existing terms of the New Share Option Scheme.

- (b) The Board shall be entitled to amend the terms of the New Share Option Scheme so as to comply with the Listing Rules and any Supplementary Guidance or any future guidance or interpretation of the Listing Rules from time to time applicable to the New Share Option Scheme, provided that such amendments are allowed by the Listing Rules and any Supplementary Guidance. Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in a general meeting.

NOTICE OF ANNUAL GENERAL MEETING



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: 00037)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Far East Hotels and Entertainment Limited (the “**Company**” and the “**AGM**”, respectively) will be held at the Conference Room, 2/F, Cheung Chau Warwick Hotel, East Bay, Cheung Chau, Hong Kong on Friday, 2 September 2016 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) and the reports of the directors and independent auditor of the Company for the year ended 31 March 2016;
2. To re-elect the retiring directors of the Company;
3. To authorize the board of directors of the Company (the “**Board**”) to fix the remuneration of the directors for the year ending 31 March 2017 (the “**Year 2017**”);
4. To re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company in respect of the consolidated financial statements of the Group for Year 2017 and to authorize the Board to fix the remuneration of the independent auditor;

To consider and, if thought fit, pass the following resolutions, with or without amendments, as Ordinary Resolutions:

5. “**THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into or exchangeable for Shares) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into or exchangeable for Shares) which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of additional Shares which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) any Share Option Scheme (as hereinafter defined) of the Company; (iii) the exercise of rights of conversion under the terms of any securities which are convertible into shares or warrants to subscribe for Shares; or (iv) any scrip dividend or other similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the articles of association of the Company (the “**Articles of Association**”), shall not exceed 20% of the aggregate number of issued Shares as at the date of passing of this resolution and the approval in paragraph (a) of this resolution 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 earliest 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 the Articles of Association or any applicable laws to be held; and
- iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

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

“Share Option Scheme” means a share option scheme or similar arrangement for the time being, as varied from time to time, adopted for the grant or issue of Shares or rights to acquire Shares.

NOTICE OF ANNUAL GENERAL MEETING

6. “**THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back its own shares on The Stock Exchange of Hong Kong Limited (the “**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 (the “**Commission**”) and the Stock Exchange under the Hong Kong Code of Share Buy-backs issued by the Commission for this purpose, subject to and in accordance with all applicable laws and the rules and regulations of the Commission, the Stock Exchange or of other stock exchange as amended, supplemented or otherwise modified from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company (the “**Shares**”) to be bought back by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate number of the issued Shares as at the date of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest 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 the articles of association of the Company or any applicable laws to be held; and
 - iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

7. “**THAT** conditional upon the passing of Ordinary Resolutions No. 5 and 6 as set out in the notice convening this annual general meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares in the capital of the Company (the “**Shares**”) pursuant to the said Ordinary Resolution No. 5 be and is hereby extended by the addition thereto the aggregate number of Shares bought back by the Company under the authority granted pursuant to the said Ordinary Resolution 6 provided that such amount shall not exceed 10% of the aggregate number of the issued Shares as at the date of passing of this resolution.”

8. “**THAT**

- (a) the existing share option scheme of the Company adopted on 1 June 2007 be and is hereby terminated;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the share option scheme (the “**Share Option Scheme**”), the terms of which are set out in the printed document marked “A” produced to this Meeting and for the purpose of identification signed by the chairman of this Meeting, be and is hereby approved and adopted as the new share option scheme of the Company;
- (c) the directors of the Company be and are hereby authorised to grant options pursuant to the Share Option Scheme, and allot, issue and deal with the shares of the Company pursuant to the exercise of options granted thereunder and to do on behalf of the Company all such acts and things as they may consider to be necessary or expedient in order to implement and give full effect to the Share Option Scheme.”

By Order of the Board
FAR EAST HOTELS AND ENTERTAINMENT LIMITED
DEREK CHIU
Executive Director, Managing Director and Chief Executive

Hong Kong, 29 July 2016

Registered and Principal Office:

Suite 1902, 19th Floor,
The Sun's Group Centre,
200 Gloucester Road,
Wanchai, Hong Kong

Notes:

1. For determining the entitlement of the members of the Company (the “**Members**”) to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 31 August 2016 to Friday, 2 September 2016 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Standard Limited, the registrars of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 30 August 2016.
2. A Member entitled to attend and vote at the AGM is entitled to appoint one (or, if he holds two or more Shares, more than one) proxy to attend and vote on his behalf. A proxy need not be a Member.
3. Where there are joint registered holders of any Share, any one of such persons may vote at the AGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders is present at the AGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such Share, be entitled alone to vote in respect thereof.
4. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed must be lodged with the Company's registered office at Suite 1902, 19th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for the holding of the AGM or its adjournment (as the case may be) (excluding any public holiday in Hong Kong).
5. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the AGM or its adjourned meeting if he so wishes. If such Member attends the AGM, his form of proxy will be deemed to have been revoked.

NOTICE OF ANNUAL GENERAL MEETING

6. Concerning Ordinary Resolution No. 2 above, Mr. Alex Chiu, Ms. Amanda Chiu, Madam Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu shall retire by rotation and, being eligible, have offered themselves for re-election at the AGM. Details of the above Directors are set out in Appendix II to the circular dated Friday, 29 July 2016.
7.
 - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No.8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 11:00 a.m. and 6:00 p.m. on the date of the AGM, the AGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed AGM by a supplemental notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.
 - (b) If a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is lowered or cancelled three hours before the time fixed for the holding of the AGM and where conditions permit, the AGM will be held as scheduled.
 - (c) The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.
 - (d) After considering their own situations, Members should decide on their own whether or not they would attend the AGM under any bad weather condition and if they do so, they are advised to exercise care and caution.
8. The translation into Chinese language of this notice convening the AGM is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the executive Directors are Mr. Derek Chiu (Managing Director and Chief Executive), Ms. Margaret Chiu, Mr. Alex Chiu and Ms. Amanda 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.