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Far East Consortium International Limited

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS DUE 2009 BY FAR EAST CONSORTIUM INTERNATIONAL LIMITED

CONVERTIBLE INTO ORDINARY SHARES OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED AND RESUMPTION OF TRADING OF SHARES

The Board hereby announces that on 10 March, 2004 the Company entered into the Subscription Agreement with Deutsche Bank, whereby Deutsche Bank agreed to subscribe for the Firm Bonds to be issued at par by the Company in an initial aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000).

In addition, the Company has granted to Deutsche Bank an option to require the Company to issue the Optional Bonds up to a further aggregate principal amount of US\$6,989,000 (approximately HK\$54,460,385) at par, exercisable on one or more occasions (provided that such option shall not be exercised more than once on any one day), in whole or in part, at any time on or before the thirtieth day following the Closing Date. A further announcement will be issued by the Company if the Option is exercised by Deutsche Bank.

The initial conversion price is HK\$2.25, represents a premium of 30.06% over the closing price of the Shares as quoted on the Stock Exchange on 10 March, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$2.25, the Bonds will be convertible into approximately 231,999,282 Shares (subject to adjustment), representing approximately 19.86% of the issued share capital of the Company as at the date of this announcement and approximately 16.57% of the enlarged issued share capital of the Company. The Bonds will be issued by the Issuer for placing to not less than six independent places.

The estimated net proceeds of the Bonds Issue (excluding the Optional Bonds), after deduction of commission and administrative expenses (amounting to approximately US\$1,750,000 (approximately HK\$13,636,525)), are approximately US\$58,250,000 (approximately HK\$453,901,475). Approximately HK\$300,000,000 of the proceeds are currently intended to be used by the Company for the repayment of existing loans of the Company to independent third parties and the balance of approximately HK\$153,901,475 are currently intended to be deployed for general working capital purposes.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30a.m. (Hong Kong time) on 11 March, 2004 pending the release of this announcement, and application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30a.m. (Hong Kong time) on 12 March, 2004.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "SUBSCRIPTION AGREEMENT" below for further information.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Shares to be issued upon conversion of the Bonds will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the extraordinary general meeting held on 10 February, 2004.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Company intends to apply for the listing of the Bonds on the Stock Exchange by way of selectively marketed securities.

SUBSCRIPTION AGREEMENT

Date: 10 March, 2004

Parties: The Company

Deutsche Bank (Deutsche Bank and their ultimate beneficial owners are all not connected persons (as defined in the Listing Rules))

Subject to the fulfilment of the conditions set out below under the section headed "Conditions Precedent of the Subscription Agreement", Deutsche Bank has agreed to subscribe or procure subscribers for the Firm Bonds with an initial aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000) and if the Option is exercised, to subscribe or procure subscribers for the Optional Bonds with an aggregate principal amount up to US\$6,989,000 (approximately HK\$54,460,385).

Deutsche Bank has been granted an option which can be exercised on one or more occasions (provided that such option shall not be exercised more than once on any one day), in whole or in part, at any time, on or before the thirtieth day following the Closing Date, to require the Company to issue up to a further US\$6,989,000 (approximately HK\$54,460,385) in aggregate principal amount of Optional Bonds.

The Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the US Securities Act. None of the Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company.

Deutsche Bank may, to the extent permitted by applicable laws, over-allot and effect transactions with a view to supporting the market price of the Bonds at levels which might otherwise prevail. However, there is no obligation on Deutsche Bank to do this. Such stabilising, if commenced, may be discontinued at any time. Deutsche Bank will conduct any such stabilisation activities in accordance with applicable laws and regulations (including, but not limited to, if applicable, the Listing Rules and the Securities and Futures Ordinance (Cap. 571)).

Places: not less than six independent places

The places are not connected persons (as defined in the Listing Rules). Therefore, the issue of the Bonds will not have any impact on the public float of the Company.

Undertaking

The Company has, among other things, undertaken with Deutsche Bank that neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period of 90 days after the Closing Date (and, if any Optional Bonds are issued, for a period of 90 days after the last Option Closing Date), without the prior written consent of Deutsche Bank (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for Shares issued (i) as final dividends, in lieu of cash, for the financial year ended 31 March, 2004, (ii) pursuant to the conversion provisions of the Bonds or (iii) pursuant to obligation in existence at the date of this announcement, which have been disclosed to Deutsche Bank.

Conditions Precedent of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon, among other things:

- (i) Deutsche Bank being satisfied with the results of its due diligence investigations on the Company and its subsidiaries for the purposes of the preparation of the Offering Circular and the Offering Circular being prepared in form and content satisfactory to Deutsche Bank;
- (ii) the execution of a trust deed constituting the Bonds and incorporating the terms and conditions of the Bonds and a paying and conversion agency agreement by all respective parties in a form reasonably satisfactory to Deutsche Bank; and
- (iii) The Stock Exchange having agreed, subject to any conditions reasonably satisfactory to Deutsche Bank, to list the Bonds and the Stock Exchange having agreed to list the new Shares upon conversion of the Bonds (or, in each case, Deutsche Bank being reasonably satisfied that such listing will be granted).

Termination

Deutsche Bank may, by notice to the Company given at any time prior to payment of the net subscription moneys for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (i) if there shall have come to the notice of Deutsche Bank any breach of, or any event rendering untrue or incorrect in any respect any of the warranties and representations contained in the Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Subscription Agreement;
- (ii) if there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would in Deutsche Bank's view (after consultation with the Company to the extent reasonably practicable) be likely to prejudice materially the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market;
- (iii) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would in Deutsche Bank's view be likely to prejudice materially the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market;

(iv) if on or after the date of this announcement there shall have occurred either of the following: (i) a suspension or material limitation of trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc or the Stock Exchange; or (ii) a suspension in trading in the Company's securities on the Stock Exchange, which would in Deutsche Bank's view be likely to prejudice materially the success of the Bonds Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market.

Subject to the foregoing, the Subscription Agreement is expected to be completed on the Closing Date. If the Option is exercised, the issue of the Optional Bonds will complete on the Option Closing Date. The Firm Bonds and the Optional Bonds are expected to be issued on the Closing Date and the Option Closing Date respectively.

The initial conversion price at HK\$2.25 per Share represents a premium of 30.06% to the closing price of the Shares quoted on the Stock Exchange on 10 March, 2004 and a premium of 26.05% to the 10-day average price of the Shares over the 10 trading days up to and including 10 March, 2004.

The Shares to be issued upon conversion of the Bonds will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the extraordinary general meeting held on 10 February, 2004.

UNDERTAKINGS OF CERTAIN SHAREHOLDERS

As a condition precedent to the closing of the Bonds Issue, each of Mr Deacon Te Ken Chiu, Dato' David Chiu and Far East Intercontinental Limited will execute lock-up agreements, whereby they each undertake not to sell any Shares or enter into other transactions with a similar effect for a period of 90 days from the Closing Date (and, if any Optional Bonds are issued, for a period of 90 days after the last Option Closing Date).

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds, which will be constituted by a trust deed to be entered into between the Company and a trustee (to be appointed) are summarised as follows:

Company

Far East Consortium International Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange.

Principal Amount

The aggregate principal amount of the Bonds (excluding the Optional Bonds) will be US\$60,000,000 (approximately HK\$467,538,000), or US\$66,989,000 (approximately HK\$521,998,385) if all the Optional Bonds are issued.

Issue Price

100% of the principal amount of the Bonds.

Interest

The Bonds bear zero interest.

Conversion Period

Bondholder(s) have the right to convert their Bonds into Shares at any time during the Conversion Period.

Conversion Price

The Bonds will be convertible into Shares at an initial conversion price of HK\$2.25 per Share. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, the declaration of a dividend in Shares and other dilutive events.

Ranking of Conversion Shares

Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

Transfer

The Bonds are transferable without restrictions.

Maturity

Unless previously redeemed, purchased and cancelled or converted, the Company will redeem each Bond at 105.10% of its principal amount on the Maturity Date.

Redemption at the Option of the Bondholders

On the Put Option Date, the holder of each Bond will have the right at such holder's option to require the Company to redeem all or some only of the Bonds of such holder on the Put Option Date at 102.01% of their principal amount.

Redemption at the Option of the Company

On or at any time after 13 April, 2006 and prior to the Maturity Date, the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee (as defined in the Subscription Agreement) and the Principal Paying Agent (as defined in the terms and conditions of the Bonds) (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount, provided, however, that no such redemption may be made unless (i) the closing price of the Shares (as derived from Daily Quotations Sheet of the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange (as defined in the terms and conditions of the Bonds)) translated into United States dollars at the Prevailing Rate of Exchange for each of the 30 consecutive Trading Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the Conversion Price in effect on such Trading Day translated into United States dollars at the fixed rate of exchange of US\$1.00 = HK\$7.7923 or (ii) at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased or cancelled.

Redemption for Taxation Reasons

At any time the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) redeem all, and not some only, of the Bonds at a redemption price equal to the Early Redemption Amount on a date fixed for redemption if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay any additional amounts in respect of any payment by the Company under or in respect of the Trust Deed or Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, or as the case may be, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 March, 2004 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption for such purposes, the Company shall deliver to the Trustee (a) a certificate signed by two directors of the Company stating that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

Redemption for Delisting or Change of Control

When (i) the Shares cease to be listed or admitted to trading on the Stock Exchange or (ii) a Change of Control occurs with respect to the Company, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of that holders' Bonds on the date which is the 14th day after the expiry of the period of 60 days referred to below, at their Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the certificate evidencing the Bonds to be redeemed by not later than 60 days following the occurrence of the event referred to in (i) or (ii) above, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with the terms and conditions of the Bonds.

Form of the Bonds and Denomination

The Bonds will be in registered form and in denominations of US\$1,000 each.

Ranking of the Bonds

The Bonds constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.

Listing

Application will be made for the listing of the Bonds on the Stock Exchange by way of selectively marketed securities. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

Based on the initial conversion price of HK\$2.25 and assuming full conversion of the Bonds, the Bonds will be convertible into 231,999,282 Shares (subject to adjustment), representing approximately 19.86% of the issued share capital of the Company as at the date of this announcement and approximately 16.57% of the enlarged issued share capital of the Company.

The following table summarises the effects on the shareholding structure of the Company as a result of the Bonds Issue:

Name of Shareholder	Existing (as at the date of this announcement)		Assuming the Bonds (including the Optional Bonds) are fully converted into Shares at the initial conversion price of HK\$2.25 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Sumptuous Assets Limited	298,460,209	25.54%	298,460,209	21.31%
Other Chiu Family Members	127,537,460	10.92%	127,537,460	9.11%
Other Shareholders	742,459,932	63.54%	742,459,932	53.01%
Bondholders	—	—	231,999,282	16.57%
Total	<u>1,168,457,601</u>	<u>100%</u>	<u>1,400,456,883</u>	<u>100%</u>

USE OF PROCEEDS

The estimated net proceeds of the Bonds Issue (excluding the Optional Bonds), after deduction of commission and administrative expenses (amounting to approximately US\$1,750,000 (approximately HK\$13,636,525), are approximately US\$58,250,000 (approximately HK\$453,901,475). Approximately HK\$300,000,000 of the proceeds are currently intended to be used by the Company for the repayment of existing loans of the Company to independent third parties and, the balance of approximately HK\$153,901,475 are currently intended to be deployed for general working capital purposes.

REASONS FOR AND BENEFITS OF THE BONDS ISSUE

The Bonds Issue will enlarge the capital base of the Company. Taking into account that the Conversion Price represents a premium to the closing price of the Shares as quoted on the Stock Exchange on 10 March, 2004, the Directors are of the view that the terms and conditions of the Bonds are fair and reasonable and are in the interest of the Group as a whole.

ISSUE OF SECURITIES UNDER GENERAL MANDATE IN THE PREVIOUS 12-MONTH PERIOD

In September 2003, Far East Intercontinental Limited and Sumptuous Assets Limited signed an agreement to place respectively 55,000,000 and 110,000,000 existing Shares to independent investors on an underwritten basis, and subject to the fulfillment of certain conditions, to subscribe for the same amount of new Shares as are sold through such placing. The Shares which were placed represented approximately 16.75% of the then existing issued share capital of the Company. The net proceeds from the subscription was approximately HK\$193,400,000 and HK\$58,000,000 was used for repayment of existing loans of the Company and the balance of HK\$135,400,000 was used as general working capital.

GENERAL

The Group is principally engaged in property investment and development, investment holding, securities trading, hotel operations and manufacture of boiler products.

The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the Bonds by any connected person (as defined in the Listing Rules) of the Company.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "SUBSCRIPTION AGREEMENT" above for further information.

As the Subscription Agreement may or may not be complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

TERMS USED IN THIS ANNOUNCEMENT

Board	the board of directors of the Company
Bonds	the Firm Bonds and the Optional Bonds
Bondholder(s)	holder(s) of the Bonds from time to time
Bonds Issue	the subscription and issue of the Firm Bonds with an initial aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000) and the Optional Bonds with an aggregate principal amount of US\$6,989,000 (approximately HK\$54,460,385) under the Subscription Agreement
Change of Control	occurs when, <ol style="list-style-type: none">any Person or Persons (as defined in the terms and conditions of the Bonds) acting together acquires Control of the Company if such Person or Persons (as defined in the terms and conditions of the Bonds) does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date;the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other Person (as defined in the terms and conditions of the Bonds), unless the consolidation, merger, sale or transfer will not result in the other Person or Persons (as defined in the terms and conditions of the Bonds) acquiring Control over the Company or the successor entity; orone or more Persons (as defined in the terms and conditions of the Bonds) (other than any Person (as defined in the terms and conditions of the Bonds) referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the Company's issued share capital
Closing Date	the date (expected to be on or before 13 April, 2004 or such other date as the Company and Deutsche Bank may agree) on which the Firm Bonds are issued
Company	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
Control	the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
Conversion Period	at any time on or after 30 days after Closing Date up to the close of business 30 days prior to Maturity Date, in no event thereafter, or if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business on the date no later than seven business days prior to the date fixed for redemption thereof
Conversion Price	the price per Share at which the Bonds may be converted into Shares
Conversion Shares	Shares to be allotted and issued by the Company upon conversion of the Bonds
Deutsche Bank	Deutsche Bank AG, London
Directors	directors of the Company
Early Redemption Amount	an amount equal to the principal amount of the Bond plus a premium calculated to give the Bondholder a fixed return of 1.00% per annum from the Closing Date to the redemption date of that Bond
Firm Bonds	the Zero Coupon Convertible Bonds due 2009 of an initial aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000)
Group	the Company and its subsidiaries
HKS	Hong Kong dollars, the lawful currency of Hong Kong

Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Maturity Date	the date (expected to be on or before 13 April, 2009, or such other date as the Company and Deutsche Bank may agree) on which the Bonds mature
Offering Circular	the offering circular to be issued in connection with the issue and offering of the Bonds
Option	an option granted by the Company to Deutsche Bank to subscribe or procure subscribers for all or any of the Optional Bonds, exercisable on or before the thirtieth day following the Closing Date
Optional Bonds	the additional Zero Coupon Convertible Bonds due 2009 with an aggregate principal amount up to US\$6,989,000 (approximately HK\$54,460,385) to be subscribed by Deutsche Bank or investors procured by Deutsche Bank at the election of Deutsche Bank
Option Closing Date	the date on which the Optional Bonds are to be issued
Prevailing Rate of Exchange	the bid rate for exchanging US dollars and Hong Kong dollars shown on the Reuters Honix page at or about 11:00a.m. (Hong Kong time) on the date which is two business days before that date, if no such rate appears on the Reuters Honix page, The Hongkong and Shanghai Banking Corporation Limited's rate at such time (or the date of such other bank as is selected by the Company and approved by the Trustee at such time) shall be used instead
Put Option Date	the date (expected to be on or before 13 April, 2006, or such other date as the Company and Deutsche Bank may agree) which is the second anniversary from the Closing Date
Share(s)	ordinary shares of HK\$0.10 each in the share capital of the Company
Shareholder(s)	holder(s) of Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscription Agreement	a conditional subscription agreement entered into between, the Company and Deutsche Bank on 10 March, 2004 in connection with the issue by the Company of the Firm Bonds with an aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000) and, subject to the exercise of the Option by Deutsche Bank, the Optional Bonds with up to an aggregate principal amount of US\$6,989,000 (approximately HK\$54,460,385)
Trading Day	a day on which the Stock Exchange is open for business
United States or US	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
US\$	US dollars, the lawful currency of the US

By Order of the Board of
Far East Consortium International Limited
David Chiu
Deputy Chairman

Hong Kong, 11 March, 2004