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## FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Website: <http://www.fet.com.hk>)

(Stock Code: 36)

### DISCLOSEABLE TRANSACTION INVESTMENT IN A JOINT VENTURE COMPANY

The Board is pleased to announce that on 27 September 2006, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies entered into the JV Agreement for transformation of Beijing Kailan into a sino-foreign equity joint venture by capital injection of approximately RMB20.47 million into Beijing Kailan by Jubilee Star. As at the date of this announcement, China Aviation Supplies owns approximately 99.41% of the equity interest in the JV Co. and is acquiring the remaining approximately 0.59% equity interest from China Aviation Resources. Upon completion of the Transformation, Beijing Kailan will be owned as to 68% by China Aviation Supplies and as to 32% by Jubilee Star.

The contribution of capital by Jubilee Star to Beijing Kailan pursuant to the JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the JV Agreement will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

On 27 September 2006, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies entered into the JV Agreement for the contribution of capital by Jubilee Star to Beijing Kailan and transformation of Beijing Kailan into a sino-foreign equity joint venture.

#### Principal Terms of JV Agreement

Date: 27 September 2006

Parties: China Aviation Supplies; and  
Jubilee Star

Scope of business of the JV Co.: (i) maintenance and manufacture of aviation components, including maintenance and manufacture of aircraft parts and investment in aviation maintenance and manufacture; (ii) guarantee of supply of aviation components; and (iii) governmental service, support and development of aviation technology and related consultation services (altogether, the "JV Business").

Registered capital upon completion of the Transformation and relevant approval procedures: approximately RMB63.97 million, of which (i) approximately RMB43.50 million has been contributed by China Aviation Supplies, representing 68% of the total registered capital; and (ii) approximately RMB20.47 million will be contributed by Jubilee Star, representing 32% of the total registered capital.

China Aviation Supplies was established under the laws of the PRC and engaged in aviation related business. Save for the JV Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Aviation Supplies and its beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

The investment of approximately RMB20.47 million in cash by the Company in Beijing Kailan was determined with reference to, among other things, the audited net asset value of Beijing Kailan as at 31 December 2005 of approximately RMB43.31 million (under the Generally Accepted Accounting Principles of PRC) and the increase in registered capital of Beijing Kailan. The terms of the JV Agreement have been arrived at after arm's length negotiations between China Aviation Supplies and Jubilee Star and are considered by the Board (including the independent non-executive Directors) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### Conditions Precedent:

The obligations of Jubilee Star to contribute capital of approximately RMB20.47 million to Beijing Kailan pursuant to the JV Agreement is conditional upon the fulfillment of the followings:

- (1) China Aviation Supplies has completed all necessary internal approval procedures and obtained all necessary approvals and consents in respect of the execution and performance of the JV Agreement;
- (2) the obtaining of the asset valuations on Beijing Kailan from a qualified asset valuation institution and approval from the relevant state-owned asset administration authority of the valuation by China Aviation Supplies;
- (3) China Aviation Supplies has issued a letter to agree to (i) the capital injection of RMB20.47 million by Jubilee Star into Beijing Kailan; and (ii) waive its pre-emption right in respect of such capital contribution;
- (4) China Aviation Supplies and Jubilee Star have entered into the JV Agreement and the joint venture articles of association of Beijing Kailan. (the "JV Articles");
- (5) the obtaining of the approval(s) of the JV Agreement and the JV Articles and of the certificate of approval of foreign investment enterprise (外商投資企業批准證書) by the foreign investment approval authority with competent jurisdiction and the contents of such approvals and certificate have not altered any of the fundamental provisions of the JV Agreement and the JV Articles;

- (6) the issue of new business license (中華人民共和國企業法人營業執照) to Beijing Kailan in respect of the contribution of capital by Jubilee Star from the relevant Administration of Industry and Commerce and the contents of such license have not altered any of the fundamental provisions of the JV Agreement and the JV Articles; and Jubilee Star shall comply with the requirements under the Measures Governing the Foreign Acquisition of Domestic Enterprise (關於外國投資者併購境內企業的規定) of the PRC;
- (7) 2 directors nominated by China Aviation Supplies to the board of directors of Beijing Kailan have executed letters of resignation effective on the date of payment by Jubilee Star to Beijing Kailan and Beijing Kailan accepting the 2 nominees of Jubilee Star to be appointed as directors of Beijing Kailan with effect from such date;
- (8) completion of registration and other statutory formalities and confirmation in respect of previous changes in the equity interest in Beijing Kailan and subsidiary and an associated company of Beijing Kailan;
- (9) execution of an agreement for the transfer of the remaining approximately 0.59% equity interest in Beijing Kailan from China Aviation Resources to China Aviation Supplies;
- (10) the obtaining of a PRC legal opinion from a PRC legal adviser appointed by Jubilee Star confirming the completion of the above conditions; and
- (11) the compliance by the Company of its disclosure obligations in respect of the JV Agreement and the transactions contemplated thereunder under the Listing Rules and applicable laws of Hong Kong.

The Company may at any time waive all or part of the conditions set out above. If any the conditions set out above have not been satisfied within 6 months from the date of the JV Agreement or such later date as the parties thereto may agree, the JV Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder. As the date of this announcement, the Company has no intention to waive any of the above conditions.

#### **Warranties by China Aviation Supplies**

China Aviation Supplies has given representations, warranties and undertakings to Jubilee Star under the JV Agreement in respect of, among other things, the following matters on Beijing Kailan:

- (1) completion by Beijing Kailan of the disposal of equity interests in or deregistration of or merger of several of its subsidiaries and associated companies by 31 December 2006, and the proceeds to be received by Beijing Kailan and the net asset value of the attributable interest in the merged company held by Beijing Kailan will in aggregate be not less than RMB10.87 million, being the assessed value of the equity interests in such companies directly or indirectly owned by Beijing Kailan in those companies;
- (2) the debt of RMB16.23 million due from Beijing Kailan to China Aviation Supplies will be payable according to the schedule of (i) RMB8.115 million within 6 months from the date of establishment of Beijing Kailan as a sino-foreign equity joint venture; and (ii) the remaining RMB8.115 million within 1 year from such date of establishment;
- (3) the loans in the aggregate amount of RMB2.675 million given by an associated company of Beijing Kailan to the shareholders of such associated company of Beijing Kailan will be repaid in full before the listing of Beijing Kailan or 18 months from the date of establishment of Beijing Kailan as a sino-foreign equity joint venture (whichever is earlier) (*Note*);
- (4) the consolidated net profit before taxation of Beijing Kailan for the year ending 31 December 2006 shall be not less than RMB6 million;
- (5) China Aviation Supplies will return the aggregate amount of management fees of RMB1.5 million paid by Beijing Kailan and its subsidiary and will no longer charge such management fees; and
- (6) the total accounts receivables of Beijing Kailan, its subsidiaries and companies in which it holds equity interest amounted to RMB16.82 million in aggregate as at 31 December 2005, (exclusive of those accounts receivables for which bad debt provisions had been made in the audited consolidated accounts), and China Aviation Supplies shall compensate in cash any such outstanding accounts receivables as at the Completion Date which has not been repaid for over 3 years or which are not recoverable.

*Note:* The Company, Beijing Kailan and China Aviation Supplies have no concrete plan on the listing of Beijing Kailan as at the date of this announcement.

#### **Restrictions on Transfer and Pre-emption Rights**

Within 2 years from the date of establishment of Beijing Kailan as a sino-foreign equity joint venture, neither China Aviation Supplies nor Jubilee Star may transfer its equity interest in Beijing Kailan to third parties without the prior consent of the other party.

After the above restriction period, any party to the JV Agreement wishing to transfer all or part of its equity interest in Beijing Kailan shall be subject to pre-emption rights of the other party. Either party proposing to transfer its equity interest in Beijing Kailan shall give notice of the same to the other party. If the pre-emption rights of the other party are not exercised within 30 days of the notice, the other party shall be deemed to have consented to such proposed transfer.

Either party may, however, transfer its equity interest in Beijing Kailan to a “connected company”, being an entity which directly or indirectly owns or is owned by the relevant party as to not less than 51% of its voting rights, or the entity and the relevant party are under common ownership by another company as to not less than 51% of their respective voting rights.

#### **Further Financing**

Beijing Kailan may borrow any additional capital that it requires and use its assets as security. Neither China Aviation Supplies nor Jubilee Star will be obliged to make loans to Beijing Kailan or provide guarantee for its loans.

#### **The Board of Directors and Senior Management**

The board of directors of Beijing Kailan shall consist of five directors, three of whom shall be appointed by China Aviation Supplies and two of whom shall be appointed by Jubilee Star. The chairman of the board shall be a director nominated by China Aviation Supplies and the vice-chairman of the board shall be a director nominated by Jubilee Star.

The general manager and deputy general manager of Beijing Kailan shall be recommended by China Aviation Supplies and appointed by the board of directors of Beijing Kailan.

### **Non-competition**

China Aviation Supplies as the controlling shareholder of Beijing Kailan warrants that the business that it carries on does not compete with the business carried on by Beijing Kailan. China Aviation Supplies may only carry on business that will compete with the business of Beijing Kailan if the relevant investment opportunities has been referred to and turned down by the board of directors of Beijing Kailan, and the board of directors of Beijing Kailan has unanimously approved that China Aviation Supplies may carry on such business. Beijing Kailan shall have an option to purchase such investment of China Aviation Supplies.

### **Profit Sharing**

Jubilee Star shall have the right to receive the profits of the JV Co. for the year ending 31 December 2006 in proportion to its actual payment of capital contribution made for the period from the date of issuance of the new business licence of the JV Co. to 31 December 2006.

### **Information on Beijing Kailan**

Beijing Kailan was established on 12 April 1993 under the laws of the PRC. The registered capital of Beijing Kailan is RMB42.70 million as at the date of this announcement and will be increased to RMB63.97 million upon completion of the Transformation and relevant approval procedures.

As at the date of this announcement, China Aviation Supplies owns approximately 99.41% of the equity interest in Beijing Kailan and is acquiring the remaining approximately 0.59% equity interest from China Aviation Resources. Upon completion of the contribution of capital by Jubilee Star to Beijing Kailan under the JV Agreement, Beijing Kailan will be owned as to 68% by China Aviation Supplies and as to 32% by Jubilee Star. Pursuant to the JV Agreement, the term of operation of Beijing Kailan will be 30 years.

Beijing Kailan recorded (i) audited net profit before tax and minority interests of approximately RMB1.40 million and approximately RMB2.26 million for the two years ended 31 December 2004 and 31 December 2005 respectively; and (ii) audited net profit after tax and minority interests of approximately RMB1.19 million and approximately RMB1.09 million for the two years ended 31 December 2004 and 31 December 2005 respectively (under the Generally Accepted Accounting Principles of PRC).

### **Reasons for the Capital Injection into Beijing Kailan**

The Company's main business is to invest into potential businesses in Mainland China. The principal activities of its subsidiaries, associates and a jointly controlled entity include information technology, manufacturing and trading of garment and commodity concrete, investment in properties for rental purpose, property development and investment in securities.

In view of the booming economy of the PRC in recent years, the Directors believe that the air transportation industry in PRC has a high-growth potential and will prosper in the coming years. The Directors consider that the investment in Beijing Kailan will enable the Group to become involved in aviation-related business and to capture the opportunities arising from the growth of the transportation industry in PRC. The Group is confident about the prospects and profitability of the JV Co. especially with the profit guarantee given by China Aviation Supplies, and considers that the diversification of the Group's businesses into new areas of high-growth potential will be in the best interest of the Company and the Shareholders as a whole.

The Company intends to finance its total capital commitment pursuant to the JV Agreement of approximately RMB20.47 million by internal resources. Upon completion of the Transformation, the JV Co. will become an associated company of the Company.

### **Listing Rules Implications**

The contribution of capital by Jubilee Star to Beijing Kailan pursuant to the JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the JV Agreement will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **Definitions**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China Aviation Supplies”	中國航空器材進出口集團公司 (China Aviation Supplies Import and Export Group Corporation*), a state-owned enterprise established under the laws of PRC which currently holds approximately 99.41% interest in Beijing Kailan.
“China Aviation Resources”	中國民航物資設備公司 (China Civil Aviation Resources Equipment Corporation*), a state-owned enterprise established under the laws of PRC which currently holds approximately 0.59% interest in Beijing Kailan.
“Company”	Far East Technology International Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Stock Exchange
“Completion Date”	the date of payment of capital contribution by Jubilee Star to the account of the JV Co.
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	an agreement entered on 27 September 2006 between Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies in relation to the Transformation
“Beijing Kailan” or “JV Co.”	北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd.), a company with limited liability established under the laws of the PRC which will be converted into a sino-foreign equity joint venture enterprise and owned as to 68% by China Aviation Supplies and as to 32% by Jubilee Star upon completion of the Transformation

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jubilee Star”	Jubilee Star Limited (禧星有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	the lawful currency of PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transformation”	the contribution of additional capital by Jubilee Star to Beijing Kailan and the transformation of Beijing Kailan into a sino-foreign equity joint venture pursuant to the JV Agreement
“%”	per cent

By order of the Board  
**Far East Technology International Limited**  
**Duncan Chiu**  
*Managing Director and Chief Executive Officer*

Hong Kong, 3 October 2006

*As at the date of this announcement, the executive Directors are Deacon Te Ken Chiu J.P., Mr. Duncan Chiu and Mr. Dennis Chiu, the non-executive Directors are Tan Sri Dato David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; and the independent non-executive Directors are Dr. Lee G. Lam, Mr. Ryan Yen Hwung Fong and Mr. Hing Wah Yim.*

*The English text of this announcement shall prevail over the Chinese text.*

*\* Unofficial English translation of the official name in Chinese*

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*