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遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

**FURTHER ANNOUNCEMENT ON
DISCLOSEABLE TRANSACTION
INVESTMENT IN A JOINT VENTURE COMPANY**

Financial adviser

AmCap

Ample Capital Limited

豐盛融資有限公司

Further to the announcement made by the Company on 3 October 2006 relating to the proposed investment in a joint venture company pursuant to the Original JV Agreement, the Board is pleased to announce that on 18 September 2007, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies entered into the New JV Agreement for transformation of Beijing Kailan into a sino-foreign equity joint venture by capital injection of approximately RMB38 million into Beijing Kailan by Jubilee Star, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve. The New JV Agreement entirely supersedes the Original JV Agreement which was terminated and ceased to have effect on 18 September, 2007.

Upon completion of the Transformation, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star.

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

Reference is made to the announcement dated 3 October 2006 relating to the proposed investment in a joint venture company pursuant to the Original JV Agreement. The Board is pleased to announce that on 18 September 2007, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies entered into the New JV Agreement for transformation of Beijing Kailan into a sino-foreign equity joint venture. Under the New JV Agreement, Jubilee Star shall make capital injection of RMB38 million to Beijing Kailan, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve of Beijing Kailan. The New JV Agreement entirely supersedes the Original JV Agreement which was terminated and ceased to have effect on 18 September, 2007.

Principal Terms of New JV Agreement

Date:	18 September 2007
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:	RMB153.41 million, of which (i) RMB122.70 million has been contributed by China Aviation Supplies, representing approximately 79.98% of the total registered capital; and (ii) RMB30.71 million will be contributed by Jubilee Star, representing approximately 20.02% of the total registered capital. Jubilee Star will also contribute RMB7.29 million to the capital reserve of Beijing Kailan.

China Aviation Supplies was established as a limited liability company under the laws of the PRC and engaged in aviation related business. Save for the entering into of the Original JV Agreement and the New 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.

Pursuant to the New JV Agreement, the investment in Beijing Kailan is payable by Jubilee Star by two instalments in the following manner:

- (i) The first instalment of RMB6.142 million (the “First Instalment”) shall be payable by Jubilee Star to Beijing Kailan upon the fulfilment of the conditions precedent under the New JV Agreement and before the obtaining of the certificate of approval of foreign investment enterprise (外商投資企業批准證書); and
- (ii) the remaining balance of RMB31.858 million (comprising contribution to registered capital of RMB24.568 million and contribution to the capital reserve of RMB7.29 million) shall be payable by Jubilee Star to Beijing Kailan within 3 months after the payment of the First Instalment.

The total investment of approximately RMB38 million in cash by the Jubilee Star in Beijing Kailan was determined with reference to, among other things, the assessed value of approximately RMB151.93 million according to the valuation report dated 18 August 2007 issued by Beijing Pan-China Assets Appraisal Company Limited (北京天健興業資產評估有限公司), by adopting the replacement cost method with the valuation reference date of 30 June 2007, the audited net asset value of Beijing Kailan as at 31 December 2006 of approximately RMB98.86 million (based on the Generally Accepted Accounting Principles of the PRC) and the increase in registered capital of Beijing Kailan. The terms of the New JV Agreement were 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 RMB38 million to Beijing Kailan pursuant to the New 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 New 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 having issued a letter to agree to (i) the capital injection of RMB38 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 having entered into the New JV Agreement and the joint venture articles of association of Beijing Kailan. (the “New JV Articles”);
- (5) the obtaining of the approval(s) of the New JV Agreement and the New 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 New JV Agreement and the New JV Articles;

- (6) the 3 directors nominated by China Aviation Supplies to the board of directors of Beijing Kailan having executed letters of resignation effective on the date of payment of capital 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;
- (7) the obtaining of a PRC legal opinion from a PRC legal adviser appointed by Jubilee Star confirming the completion of the above conditions; and
- (8) the compliance by the Company of its disclosure obligations in respect of the New 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, excluding condition (8) which will not be waived and must be fulfilled. If any of the conditions set out above have not been satisfied within 6 months from the date of the New JV Agreement or such later date as the parties thereto may agree, the New JV Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder. As at 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 New JV Agreement in respect of, among other things, the following matters on Beijing Kailan:

- (1) completion by Beijing Kailan of the disposal of 15% of the equity interest in an associated company, Chengdu S&T Aviation Technology Co., Ltd. (成都思泰航空科技有限責任公司), by 31 December 2007, and the proceeds to be received by Beijing Kailan will in aggregate be not less than the assessed value of RMB1.65 million of such equity interest directly owned by Beijing Kailan (*note*);
- (2) completion by Beijing Kailan of the disposal of 70% of equity interests in a subsidiary, Shenyang Kaite Aviation & Engine Maintenance Co. Ltd. (沈陽凱特航空發動機維修有限公司) by 31 December 2007, and the proceeds to be received by Beijing Kailan will in aggregate be not less than the assessed value of approximately RMB3.05 million of such equity interest directly owned by Beijing Kailan (*note*);
- (3) the consolidated net profit before taxation of Beijing Kailan for the year ending 31 December 2007 shall be not less than RMB6 million; and

Note: The assessed value of Chengdu S&T Aviation Technology Co., Ltd. and Shenyang Kaite Aviation & Engine Maintenance Co. Ltd. were evaluated by Beijing Pan-China Assets Appraisal Company Limited with the valuation date of 30 June 2007. These two companies are principally engaged in the provision of overhaul and maintenance of aircraft. The disposal of these two companies will enhance the efficiency of the management of Beijing Kailan for the reason that both companies are located in remote regions and their business sizes are relatively small in scale.

- (4) the total accounts receivables of Beijing Kailan, its subsidiaries and companies in which it holds equity interest amounted to RMB23.23 million in aggregate as at 30 June 2007, (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. As at the date of this announcement, none of the outstanding accounts receivables which have not been repaid for over 3 years or are not recoverable.

In the event any of the representations, warranties and undertakings by China Aviation Supplies to Jubilee Star under the New JV Agreement is breached, China Aviation Supplies shall fully compensate Beijing Kailan or companies in which it holds equity interest or Jubilee Star for any loss that may be suffered as a result of such breach.

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.

Any party to the New 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 50% of its voting rights, or the entity and the relevant party are under common ownership by another company as to not less than 30% of their respective voting rights, or the entity which directly or indirectly owns or is owned by the relevant party and the relevant party has the ability to exercise significant influence over the entity by attaining for more than half of the board seats in the entity.

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 six directors, four 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 2007 in proportion to the days of its actual payment of capital contribution made (amount of the whole year) for the period from the date of issuance of the new business licence of the JV Co. to 31 December 2007.

Information on Beijing Kailan

Beijing Kailan was established as a limited liability company on 12 April 1993 under the laws of the PRC. The registered capital of Beijing Kailan is RMB122.7 million as at the date of this announcement and will be increased to RMB153.41 million upon completion of the Transformation and relevant approval procedures.

Upon completion of the contribution of capital by Jubilee Star to Beijing Kailan under the New JV Agreement, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star. Pursuant to the New 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 RMB2.26 million, and approximately RMB6.42 million for the two years ended 31 December 2005 and 31 December 2006 respectively; and (ii) audited net profit after tax and minority interests of approximately RMB1.08 million and approximately RMB3.42 million for the two years ended 31 December 2005 and 31 December 2006 respectively (based on the Generally Accepted Accounting Principles of the 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 and associates include information technology, manufacturing and trading of garment, 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 New JV Agreement of RMB38 million out of 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 New JV Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the New 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 the entire equity interest in Beijing Kailan.
“Company”	Far East Holdings 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
“Beijing Kailan” or “JV Co.”	北京凱蘭航空技術有限公司(Beijing Kailan Aviation Technology Co., Ltd.), a limited liability company established under the laws of the PRC which will be converted into a sino-foreign equity joint venture enterprise and owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star upon completion of the Transformation

“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New JV agreement”	the new joint venture agreement dated 18 September 2007 between Jubilee Star and China Aviation Supplies in relation to the Transformation which entirely supersedes the Original JV Agreement
“Original JV Agreement”	the previous joint venture agreement entered into on 27 September 2006 between Jubilee Star and China Aviation Supplies in relation to the Transformation
“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
“%”	per cent

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

Hong Kong, 25 September 2007

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, Ms. Margaret Chiu, and Ms. Min Tang; 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*