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Far East Holdings International Limited
(incorporated in Hong Kong with limited liability)
(Stock Code: 36)

**DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SHARES
AND
RESUMPTION OF TRADING**

Financial Adviser



THE S&P AGREEMENT

On 2 January 2008, the Purchaser, the Vendor, Mr. Sin Kwok Lam and the Company entered into the S&P Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Shareholder's Loan at an aggregate consideration of HK\$40,000,000, to be satisfied as below:

- (i) HK\$8,000,000 shall be payable by the Purchaser by the Company in cash; and
- (ii) HK\$32,000,000 shall be satisfied by the Company to issue and allot the Consideration Shares to the Vendor (or as the Vendor may direct).

Upon Completion, the Company will be interested in the issued share capital of Wealth

Trend, which in turn holds 65% equity interest of the PRC JV.

As each of the applicable percentage ratios as defined in the Listing Rules exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is conditional upon, among other conditions referred to below, including the obtaining of the Shareholders' approval for the allotment and issue of the Consideration Shares. A circular containing, among other things, details of the Acquisition and a notice of the EGM will be despatched to the Shareholders as soon as practicable under the requirements of the Listing Rules.

STATEMENT PURSUANT TO RULE 13.10 OF THE LISTING RULES

The Company has noted the recent increases in the price and trading volume of the Shares and wishes to state that the Company is not aware of any reasons for such increases save as disclosed herein.

Save as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 12:15 p.m. on 2 January 2008 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 January 2008.

(I) THE S&P AGREEMENT

On 2 January 2008, the Purchaser and the Company entered into the S&P Agreement with the Vendor and Mr. Sin Kwok Lam, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of Wealth Trend and the entire Shareholder's Loan at an aggregate consideration of HK\$40,000,000. The S&P Agreement was first negotiated between the parties in early September 2007.

1. Principal terms of the S&P Agreement

The principal terms of the S&P Agreement are set out below:

Date

2 January 2008

Parties

- (i) Allied Wealth Holdings Limited, a company incorporated in Hong Kong with limited liability, as the vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is an investment holding company and each of the Vendor and its ultimate beneficial owner, Mr. Sin Kwok Lam, is an Independent Third Party;
- (ii) Golden Star Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser;
- (iii) the Company; and
- (iv) Mr. Sin Kwok Lam, as the guarantor. Mr. Sin has guaranteed to the Purchaser the due and punctual performance by the Vendor of its obligation to repay the Deposit and, in the case of failure by the Vendor to duly or punctually perform such obligation, shall himself forthwith on demand perform such obligation.

Subject matter of the S&P Agreement

Pursuant to the S&P Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell (i) the Sale Share, representing the entire issued share capital of Wealth Trend; and (ii) the Shareholder's Loan. Upon Completion, the Company will be interested in the entire issued share capital of Wealth Trend, which in turn holds 65% equity interest of the PRC JV. Accordingly, the Company will be indirectly interested in 65% equity interest of the PRC JV. Immediately after Completion, Wealth Trend will become a subsidiary of the Company and its financial results, assets and liabilities shall be consolidated into the financial statements of the Group.

The consideration of the Acquisition

The aggregate consideration of the Acquisition of HK\$40,000,000 has been or shall be satisfied by the Purchaser and the Company in the following manner:-

- (a) an amount of HK\$8,000,000 shall be payable by the Purchaser or by the Company to the Vendor on the date of the S&P Agreement in cash as deposit ("**Deposit**"); and
- (b) the balance of the Consideration of HK\$32,000,000 shall be satisfied by way of the Company issuing the Consideration Shares to the Vendor (or as the Vendor may direct) at the issue price of HK\$1.60 per Share on the Completion Date.

The Consideration Shares shall be issued and allotted in the name of the Vendor (or as the Vendor may direct) on Completion, and held by the Purchaser and released to the Vendor as follows:-

- (i) 10,000,000 Consideration Shares on Completion; and
- (ii) 10,000,000 Consideration Shares immediately after the expiry of the 12 months' period from the Completion Date as security for breach of warranties given by the Vendor under the S&P Agreement.

The aggregate consideration of the Acquisition was determined after arm's length negotiations between the Company and the Vendor based on normal commercial terms and factors, such as by reference to Wealth Trend's carrying amount of investment in the PRC JV and the estimated surge in the usage in piped music during the period of 2008 Beijing Olympic Games. The Directors also considered that there is high potential for development of the piped music business.

The Directors (including independent non-executive Directors) considered that the aggregate consideration of the Acquisition is fair and reasonable and on normal commercial terms and that the entering into the S&P Agreement is in the interests of the Company and the Shareholders as a whole. The meeting of the Board to consider and approve the Acquisition was duly convened with notice duly given to all Directors including the independent non-executive Directors and the S&P Agreement and the transactions contemplated thereunder were duly approved thereat.

Conditions precedent of the S&P Agreement

Completion of the Acquisition is conditional upon fulfillment of the following conditions:

- (i) the Company having obtained the approval by Shareholders at the EGM in respect of the S&P Agreement and the transactions contemplated thereunder including the issue of the Consideration Shares;
- (ii) the Purchaser being satisfied with the results of the due diligence review to be conducted on, among other things, the assets, liabilities, operations and affairs of Wealth Trend and the PRC JV, and the Contract; and
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares.

If the above conditions have not been fulfilled on or before 29 February 2008 or such later date as the parties may agree, the Vendor shall repay the Deposit, whereupon the S&P Agreement shall lapse and no party thereto shall, save for any antecedent breach, have any claim of any nature against the other party.

Completion

Completion shall take place on the second Business Day after the fulfillment of all the conditions precedent of the S&P Agreement (or such other date as may be agreed among the parties to the S&P Agreement).

Further instalment of capital of the PRC JV

Under the joint venture contract of the PRC JV, Wealth Trend is obliged to pay its share

of the registered capital in the total sum of RMB16,250,000 on or before 13 February 2008 and has since paid RMB2,521,380 and HK\$3,331,000 to the PRC JV. It is a term that the payment obligation for the Capital Balance shall be assumed by the Purchaser as the succeeding shareholder of Wealth Trend. Therefore, in the event that Completion does not take place prior to 13 February 2008,

- (a) the Purchaser shall provide a loan to Wealth Trend to pay the Capital Balance, such loan shall be non-interest bearing and repayable on demand; and
- (b) if Completion does not take place on or before 4 March 2008 (being the second Business Day after the latest day of fulfillment of all the conditions precedent of the S&P Agreement) or such later date as the parties may agree, the Vendor shall reimburse or procure Wealth Trend to repay to the Purchaser in full the amount advanced upon demand.

The PRC JV has a total investment amount of RMB30 million. Save as disclosed above, Wealth Trend has no other payment obligation regarding either the registered capital or total investment amount of the PRC JV. .

2. Consideration Shares

The issue price of the Consideration Shares of HK\$1.60 per Share represents:

- (i) a discount of approximately 36.5% to the closing price of HK\$2.52 per Share as quoted on the Stock Exchange on 2 January 2008, being the last day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending release of this announcement
- (ii) a discount of approximately 5.9% to the closing price of HK\$1.70 per Share as quoted on the Stock Exchange on the 28 December 2007, being the Last Full Trading Day;
- (iii) a discount of approximately 9.6% to the average of the closing prices of HK\$1.77 per Share for the last five consecutive trading days up to and including the Last Full Trading Day;
- (iv) a discount of approximately 10.5% to the average of the closing prices of HK\$1.788 per Share for the last ten trading days up to and including the Last Full Trading Day; and
- (v) a discount of approximately 14.0% to the consolidated net asset value per Share of HK\$1.86 as at 30 June 2007 based on the latest published unaudited consolidated financial statements of the Group for the six months ended 30 June 2007.

The issue price of HK\$1.60 per Consideration Share was arrived at by the Company and the Vendor after taking into account the closing prices of the Shares as shown above.

The Consideration Shares comprising 20,000,000 Shares represent (i) approximately 15.3% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Existing Issue Mandate was granted to the Directors to allot and deal with up to 21,890,119 new Shares, being 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the annual general meeting of the Company held on 1 June 2007. Following the completion of the placing of the shares in December 2007 and up to the date of this announcement, 21,000,000 new Shares had been issued under the Existing Issue Mandate. As the Existing Issue Mandate is substantially utilized and insufficient to deal with the issue and allotment of the Consideration Shares, the Directors propose to seek approval from the Shareholders at the EGM to issue the Consideration Shares.

3. Listing application

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares which will rank pari passu with the existing Shares.

4. Information on Wealth Trend and the PRC JV

Wealth Trend is a company incorporated in Hong Kong on 11 April 2007 with limited liability and is beneficially wholly-owned by the Vendor. The principal business activity of Wealth Trend is investment holding. Up to 31 December 2007, the Vendor has provided a non-interest bearing shareholder's loan of approximately HK\$6.1 million to Wealth Trend. Save as the holding the 65% equity interest in the PRC JV and such shareholder's loan, Wealth Trend does not have any other investment or operations, and does not have any other loan or liabilities due to the Vendor or other creditors. According to the management accounts of Wealth Trend for the period 11 April 2007 to 31 December 2007, the unaudited total assets of Wealth Trend was approximately RMB12.6 million and the unaudited net assets of Wealth Trend was approximately RMB5.6 million, Wealth Trend recorded an unaudited loss of approximately HK\$1.1 million in such financial period. The Directors advised that Wealth Trend's investment in the PRC JV has been consolidated in the said management accounts.

The PRC JV is a company established in the PRC on 13 August 2007 with a registered capital of RMB25 million and owned as to 65% by Wealth Trend Limited and the remaining 35% by three Independent Third Parties. A paid-up registered capital of RMB 9,146,380 and RMB equivalent of HK\$3,331,000 has been contributed by the joint venture partners with RMB2,521,380 and HK\$3,331,000 thereof being paid by Wealth Trend. The remaining balance of the registered capital is to be contributed by the relevant joint venture partners on or before 13 February 2008 and the amount to be paid by Wealth Trend is the Capital Balance.

The principal business activities of the PRC JV are the development of music software

and piped music playing equipments, provision of piped music management services and provision of technology transfer, technical support, consulting and training. The PRC JV has signed a contract with MCSC under which the PRC JV and MCSC has agreed to collaborate on the development of piped music library, manufacture of piped music playing equipments and provision of piped music playing services. The Directors advised that the piped music means gentle, bland instrumental arrangements of popular music or easy listening, smooth jazz designed for play in public areas including shopping malls, shops, grocery stores, department stores, public toilets, telephone systems, cruise ships, airports, doctors' and dentists' offices, and elevators etc. The PRC JV acquired a patent and is in the course of applying for two more patents all registered or to be registered at the State Intellectual Property Office of PRC in relation to the technology of a promotional and management system of downloading and playing piped music. The patent now owned by the PRC JV will remain in force for 20 years from its date of registration in 2007.

Upon Completion, Mr. Sin Kwok Lam will resign as a director of the PRC JV and the Company shall have the right to appoint director(s) to the board of the PRC JV. The Company shall appoint such person(s) with the necessary expertise to manage the business of the PRC JV and one of the persons who developed the patented system will remain as chief executive officer of the PRC JV.

According to the management accounts of the PRC JV, as at 31 December 2007, the unaudited total assets of the PRC JV was approximately RMB10.8 million and the unaudited net asset value of the PRC JV was approximately RMB10.0 million. From 13 August 2007, the date of establishment of the PRC JV, to 31 December 2007, the PRC JV recorded a loss of approximately RMB1.4 million.

5. Reasons for and the benefits of the Acquisition

The Company's main business is to invest in potential businesses in PRC. 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.

The Group has been looking for suitable investment opportunities in order to broaden its income source. The Directors consider the Acquisition as an attractive investment opportunity because the Directors believe that the return of the piped music business will remain promising in the near future and is in the interest of the shareholders. The Directors also consider that the Acquisition will enable the Group to become involved in the piped music business and to capture the opportunities arising from the growth of such industry in PRC. The Group is confident about the prospects and profitability of the PRC JV 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.

6. Implications under the Listing Rules

As each of the applicable percentage ratios as defined in the Listing Rules exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is conditional upon, among other conditions referred to below, the obtaining of the Shareholders' approval for the allotment and issue of the Consideration Shares. A circular containing, among other things, details of the Acquisition and a notice of the EGM will be despatched to the Shareholders as soon as practicable under the requirements of the Listing Rules.

(II) STATEMENT PURSUANT TO RULE 13.10 OF THE LISTING RULES

The Company has noted the recent increases in the price and trading volume of the Shares and wishes to state that the Company is not aware of any reasons for such increases save as disclosed herein.

Save as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

(III) RESUMPTION OF TRADING

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Shareholder's Loan by the Purchaser from the Vendor pursuant to the terms and subject to the conditions set out in the S&P Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are open for business
“Capital Balance”	the outstanding balance of Wealth Trend's contribution to the registered capital of the PRC JV, being RMB13,728,620 less the RMB equivalent of HK\$3,310,000
“Company”	Far East Holdings International Limited, a company incorporated in the Hong Kong with limited liability, the Shares

	of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the S&P Agreement
“Completion Date”	the date of Completion
“Consideration Shares”	20,000,000 Shares to be allotted and issued by the Company to the Vendor (or its nominee) credited as fully paid pursuant to the S&P Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering the allotment and issue of the Consideration Shares
“Existing Issue Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 1 June 2007 to, inter alia, allot, issue and deal with securities of the Company not exceeding 20% of the then issued share capital of the Company as at the date of such meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
“Last Full Trading Day”	28 December 2007, being the last full day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCSC”	the Music Copyright Society of China (中國音樂著作權協會)
“PRC”	the People’s Republic of China
“PRC JV”	北京金音源管理科技有限公司, a sino-foreign equity joint venture established in the PRC on 13 August 2007, with a registered capital of RMB25 million
“Purchaser”	Golden Star Investment Limited, a company incorporated in Hong Kong on 12 November 2007 and a wholly-owned subsidiary of the Company

“Sale Share”	one share of Wealth Trend, representing the entire issued share capital of Wealth Trend as at the date of the S&P Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the shareholder’s loan owed by Wealth Trend to the Vendor. As at 31 December 2007, Wealth Trend has borrowed from the Vendor a shareholder’s loan of approximately HK\$6.1 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the sale and purchase agreement dated 2 January 2008 in relation to the Acquisition
“Vendor”	Allied Wealth Holdings Limited, a company incorporated in Hong Kong on 11 April 2007
“Wealth Trend”	Wealth Trend Investment Limited, a company incorporated in Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 January 2008

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, Ms Min Tang; and the independent non-executive Directors are Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang.

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