
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Far East Technology International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 0036)

**PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION, CAPITAL REDUCTION,
SHARE SUBDIVISION AND
REDUCTION OF SHARE PREMIUM ACCOUNT**

**DISCLOSEABLE AND CONNECTED TRANSACTION
THE LKA DISPOSAL**

A notice convening an extraordinary general meeting of the Shareholders of Far East Technology International Limited to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Friday, 25 June, 2004 at 3:00 p.m. is set out on pages 22 to 23 of this circular. Whether or not you are 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 deposit at the office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.

28 May, 2004

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EXPECTED TIMETABLE

2004

Latest time for lodging proxy forms for the EGM	3:00 p.m. on Wednesday, 23 June
EGM	3:00 p.m. on Friday, 25 June
Hearing of petition for confirmation of the Capital Reduction by the Court	Monday, 9 August
Effective date of the Capital Reorganisation	Tuesday, 10 August
Dealings in the Adjusted Shares commence	Tuesday, 10 August
First day for the designated broker to stand in the market to provide matching services	Tuesday, 10 August
Closure of original counter for trading in existing Shares (represented by existing share certificates) in board lots of 2,000	9:30 a.m. on Tuesday, 10 August
Temporary counter for trading in the Adjusted Shares (represented by existing share certificates) in board lots of 400 opens	9:30 a.m. on Tuesday, 10 August
First day for free exchange of existing share certificates for the Shares for new share certificates for the Adjusted Shares	Tuesday, 10 August
Original counter for trading in the Adjusted Shares (represented by new share certificates) in board lots of 3,000 reopens	9:30 a.m. on Tuesday, 24 August
Parallel trading commences	9:30 a.m. on Tuesday, 24 August
Closure of temporary counter for trading in the Adjusted Shares (represented by existing share certificates) in board lots of 400	4:00 p.m. on Tuesday, 14 September
Parallel trading ends	4:00 p.m. on Tuesday, 14 September
Last day for the designated broker to stand in the market to provide matching services	Tuesday, 14 September
Last day for free exchange of existing share Certificates for new share certificates	Friday, 17 September

Notes:

1. The expected timetable is indicative only and is subject to change.
2. All times refer to Hong Kong time in this circular

DEFINITIONS

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

“Adjusted Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“associates”	the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Capital Reduction”	the proposed reduction of the nominal value of the issued share capital of the Company from HK\$5.00 per Consolidated Share to HK\$0.01 per Adjusted Share
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Cancellation
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Far East Technology International Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$5.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction
“Directors”	the executive directors, non-executive directors and independent non-executive directors of the Company
“EGM”	extraordinary general meeting of the Company to be convened on Friday, 25 June, 2004 at 3:00 p.m. to consider and, if thought fit, approve the Capital Reorganisation
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Mr. Deacon Chiu and his associates

DEFINITIONS

“Land”	the plot of land situated in Haimen, Jiangsu Province, the land use rights of which are owned by LKA on which the amusement park is built on
“Latest Practicable Date”	24 May, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LKA”	Laichi Kok Amusement (Haimen) Co., Ltd., a wholly foreign owned enterprise incorporated in the PRC which is wholly-owned by the Company
“LKA Disposal”	the disposal of LKA pursuant to the Sale and Purchase Agreement
“Mr. Deacon Chiu”	Mr. Deacon Te Ken Chiu, the Chairman of the Board and an executive Director
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 April, 2004 entered into between the Company and Mr. Deacon Chiu in relation to the LKA Disposal
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company prior to the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every five issued Shares into one Consolidated Share
“Share Premium Account”	the share premium account of the Company
“Share Subdivision”	the proposed subdivision of each authorised but unissued Share into 500 Adjusted Shares of HK\$0.01 each
“Shareholders”	holders of the Shares or Adjusted Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report dated 19 April, 2004 prepared by LCH (Asia-Pacific) Surveyors Limited on the Land
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong

LETTER FROM THE BOARD



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 0036)

Executive Directors:

Mr. Deacon Chiu (*Chairman*)

Mr. Duncan Chiu

(Managing Director and Chief Executive Officer)

Mr. Dennis Chiu

Registered office:

16th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Non-executive Directors:

Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Ms. Margaret Chiu

Independent Non-executive Directors:

Mr. Chi Man Ma

Mr. Siu Hong Chow

28 May, 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION, CAPITAL REDUCTION,
SHARE SUBDIVISION AND
REDUCTION OF SHARE PREMIUM ACCOUNT**

**DISCLOSEABLE AND CONNECTED TRANSACTION
THE LKA DISPOSAL**

INTRODUCTION

On 28 April, 2004, the Company announced the proposed Capital Reorganisation involving, inter alia, the Share Consolidation, Capital Reduction, Share Subdivision and reduction of Share Premium Account.

The Company also announced that on 21 April, 2004, the Company and Mr. Deacon Chiu entered into the Sale and Purchase Agreement pursuant to which the Company has agreed to sell LKA, a wholly

LETTER FROM THE BOARD

foreign owned enterprise incorporated in the PRC which is wholly-owned by the Company, to Mr. Deacon Chiu. The aggregate consideration is HK\$8.8 million which will be satisfied by Mr. Deacon Chiu by partially offsetting an amount owed by the Company to Mr. Deacon Chiu. As at the Latest Practicable Date, the amount owed by the Company to Mr. Deacon Chiu was approximately HK\$9.9 million.

The LKA Disposal constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company. In addition, as Mr. Deacon Chiu is the Chairman of the Board and an executive Director and he and his associates are interested in an aggregate of about 60.2% of the issued share capital of the Company, the LKA Disposal constitutes a connected transaction for the Company under the Listing Rules. Each of the percentage ratios (as defined in the Listing Rules) is less than 25% and the consideration of the Sale and Purchase Agreement is less than HK\$10 million. Based on the foregoing, under Rule 14A.32(2) of the Listing Rules, the LKA Disposal is subject to reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

The purpose of this circular is to provide you with additional information on the above proposal and the LKA Disposal and to give you notice of the EGM for the purpose of considering and, if thought fit, approving the Capital Reorganisation.

I. CAPITAL REORGANISATION

The Directors propose to put forward the following to the Shareholders to effect the Capital Reorganisation pursuant to sections 48B and 58 of the Companies Ordinance:

- (a) the consolidation of every five (5) Shares of HK\$1.00 each (whether issued or unissued) into one Consolidated Share;
- (b) the reduction of the nominal value of each Consolidated Share in issue from HK\$5.00 to HK\$0.01 by way of cancellation of HK\$4.99 from the paid-up capital on each Consolidated Share;
- (c) the subdivision of each authorised but unissued Consolidated Share of HK\$5.00 into 500 Adjusted Shares of HK\$0.01 each;
- (d) the application of the total credit arising from the Capital Reduction to set off part of the accumulated losses of the Company as at 31 December, 2003 as shown in the audited accounts of the Company for the year ended 31 December, 2003; and
- (e) the reduction of the Share Premium Account by HK\$221,061,426 and the application of the credit arising therefrom to eliminate the balance of the accumulated losses of the Company as at 31 December, 2003 as shown in the audited accounts of the Company for the year ended 31 December, 2003.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$700,000,000 divided into 700,000,000 Shares of HK\$1.00 each, and the issued share capital of the Company was HK\$331,668,905 divided into 331,668,905 Shares and the Company had no outstanding options, warrants

LETTER FROM THE BOARD

or other securities convertible into or giving rights to subscribe for the Shares. The nominal value of the paid up capital and the sums standing to the credit of the Share Premium Account as set out in the Company's audited accounts for the year ended 31 December, 2003 were approximately HK\$331.7 million and HK\$282.9 million respectively.

Based on the number of issued Shares as at the Latest Practicable Date, the Capital Reduction will cause the paid-up capital of the Company to be reduced by approximately HK\$331.0 million, thus resulting in the creation of a reserve of approximately HK\$331.0 million. Such amount will be applied to eliminate part of the accumulated losses of the Company as at 31 December, 2003. The sums standing to the credit of the Share Premium Account as at 31 December, 2003 amounted to HK\$282,892,010, of which HK\$221,061,426 will be applied to set-off against the remaining balance of the accumulated losses of the Company as at 31 December, 2003. The accumulated losses of the Company as at 31 December, 2003 amounted to approximately HK\$552.1 million.

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be HK\$700,000,000 comprising 70,000,000,000 Adjusted Shares and the issued share capital of the Company will be HK\$663,338 divided into 66,333,781 Adjusted Shares.

The Shares are currently traded in board lots of 2,000 Shares and the market value per board lot of the Shares is HK\$368 (based on the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on 24 May, 2004, being the last trading day prior to the Latest Practicable Date). The Adjusted Shares will be traded in board lots of 3,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$2,760 (based on the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on 24 May, 2004, and assuming the Capital Reorganisation becomes effective). The Adjusted Shares, when issued, will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon, *inter alia*, the following:

- (a) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reorganisation;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares to be issued upon the Capital Reorganisation becoming effective;
- (c) the Court making an order confirming the Capital Reduction (the "Confirming Order") pursuant to section 60 of the Companies Ordinance; and
- (d) the registration by the Registrar of Companies of an office copy of the Confirming Order and the minute containing the requisite particulars pursuant to section 61 of the Companies Ordinance (the "Minute").

Assuming that all the conditions are fulfilled, the Capital Reorganisation will become effective upon the registration of the Confirming Order and the Minute. Further announcement(s) will be made by the Company to inform the Shareholders of the effective date of the Capital Reorganisation.

LETTER FROM THE BOARD

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares upon implementation of the Capital Reorganisation.

Effects of the Capital Reorganisation

The following table sets out the effects of the Capital Reorganisation on the share capital of the Company:

	Prior to the Capital Reorganisation	After Share Consolidation	After Capital Reduction/ Share Subdivision	Upon completion of Capital Reorganisation
Number of authorised Shares	700,000,000	140,000,000	70,000,000,000	70,000,000,000
Authorised share capital	HK\$700,000,000	HK\$700,000,000	HK\$700,000,000	HK\$700,000,000
Par value per Share	HK\$1.00	HK\$5.00	HK\$0.01	HK\$0.01
Number of Shares issued and fully paid	331,668,905	66,333,781	66,333,781	66,333,781
Issued share capital	HK\$331,668,905	HK\$331,668,905	HK\$663,338	HK\$663,338

Implementation of the Capital Reorganisation would not, by itself, alter the underlying assets, liabilities, businesses, management or financial position of the Company and the Group or the rights of the Shareholders except for the payment of related expenses. The proportionate interests and voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation.

Reasons for the Capital Reduction

The Shares have been traded at prices below their nominal value of HK\$1.00 each since mid 2000. The closing price of the Shares on the Stock Exchange on 24 May, 2004, being the last trading day prior to the Latest Practicable Date, was HK\$0.184 per Share. Under section 50 of the Companies Ordinance, it is not permissible for a company to issue shares at a discount to the nominal value of such share without the consent of the Court and the Company must apply to the Court, which involves considerable expense and time, for each capital raising exercise if the Shares are to be issued at a discount to the current par nominal value of the Shares.

Therefore, although the Company does not currently have any plans to raise additional capital, the Directors are of the view that the reduction in the nominal value to HK\$0.01 per Share will facilitate future capital raising exercises.

Reasons for the Share Consolidation

Upon the change in board lot size, the market value of each board lot of 3,000 Adjusted Shares will be 7.5 times the market value of the current board lot of 2,000 Shares. Based on the closing price quoted on the Stock Exchange on the last trading day prior to the Latest Practicable Date of HK\$0.184 per Share, the value per board lot of 3,000 Shares and 3,000 Adjusted Shares are HK\$552 and HK\$2,760

LETTER FROM THE BOARD

respectively. The transaction cost per dollar value of each Adjusted Share will therefore be lower and the Directors are of the view that the Share Consolidation is in the interest of the Company and the Shareholders.

Application for listing

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

Subject to the granting of the listing of, and the permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Trading arrangements

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares, the Company has appointed Kingston Securities Limited as an agent to arrange for the sale and purchase of odd lots on behalf of the Shareholders and potential investors. During the period from Tuesday, 10 August, 2004 to Tuesday, 14 September, 2004 (both dates inclusive), holders of the Adjusted Shares who wish to take advantage of this facility either to dispose of their odd lots or to top them up to a full board lot may contact Kingston Securities Limited during the aforesaid period as follows:

Contact person	Address	Telephone number
Rosita Kiu	Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong	2298 6215

Holders of Adjusted Shares in odd lots should note that the matching of odd lots will be made on a best effort basis and is not guaranteed.

From 10 August, 2004, the original counter for trading in the Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Adjusted Shares in board lots of 400 Adjusted Shares. Certificates for the Shares may only be traded at this temporary counter.

With effect from 24 August, 2004, the original counter for trading in the Shares will be reopened for trading in the Adjusted Shares in board lots of 3,000 Adjusted Shares.

From 24 August, 2004 to 14 September, 2004 (both dates inclusive), there will be parallel trading at the above two counters.

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The temporary counter for trading in the Adjusted Shares in board lots of 400 Adjusted Shares will be removed after the close of trading on 14 September, 2004. Thereafter, trading will be in board lots of 3,000 Adjusted Shares only and the existing certificates for the Shares will cease to be marketable and will not be acceptable for dealing purpose. However, such certificates will remain effective as documents of title.

Free exchange of certificates for the Adjusted Shares

Upon the Capital Reorganisation becoming effective, Shareholders may submit certificates for the Shares to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Room 1901-05, 19th Floor, Hopewell Centre, 183 Queen's road East, Hong Kong, during the period from 10 August, 2004 to 17 September, 2004 (both dates inclusive) for exchange of certificates for the Adjusted Shares at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange for certificates for the Adjusted Shares only on payment of a fee of HK\$2.50 (or such higher amount as may be stipulated in the Listing Rules from time to time) for each new certificate to be issued or each old certificate submitted, whichever number of certificates is higher.

In order to distinguish between the existing and the new certificates, certificates for the Adjusted Shares will be green in colour, which is different from the existing certificates for the Shares, which are blue in colour.

It is expected that the new certificates for the Adjusted Shares will be available for collection on or after the 10th business day from the date of submission of the existing certificates for the Shares to the Company's share registrar at the above address. Unless otherwise instructed, new certificates will be issued in the board lot size of 3,000 Adjusted Shares.

II. THE LKA DISPOSAL

Sale and Purchase Agreement

Date: 21 April, 2004

Parties: Mr. Deacon Chiu as the purchaser and the Company as the vendor

Subject to the fulfilment or waiver of the conditions of the Sale and Purchase Agreement, Mr. Deacon Chiu agreed to acquire from the Company the entire equity capital of LKA. LKA will cease to be a subsidiary of the Company following the LKA Disposal.

Consideration

The consideration of HK\$8.8 million will be satisfied by Mr. Deacon Chiu by partially offsetting an amount owed by the Company to Mr. Deacon Chiu. As at the Latest Practicable Date, the amount owed by the Company to Mr. Deacon Chiu was approximately HK\$9.9 million.

The consideration of HK\$8.8 million was arrived at after arm's length negotiations between the parties with reference to the adjusted audited net asset value of LKA as at 31 December, 2003 of

LETTER FROM THE BOARD

approximately HK\$8.8 million, having taken into account (a) the valuation of the Land of approximately HK\$9.2 million based on the Valuation Report, details of which are set out in Appendix I to this circular, dated 19 April, 2004 prepared by LCH (Asia-Pacific) Surveyors Limited, a firm of Chartered Surveyors; and (b) the waiver by the Company of an amount of approximately HK\$4.8 million as owed by LKA to the Company and to other members of the Group as at 21 April, 2004.

Conditions

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver of the following conditions on or before 21 June, 2004 (or such later date as the Company and Mr. Deacon Chiu may agree in writing):

- (i) where necessary, all approvals from the relevant PRC government authorities (including the Ministry of Commerce of the PRC or its authorised authorities) and other third parties (such as lending banks and etc.) for the transactions contemplated under the Sale and Purchase Agreement being obtained; and
- (ii) the warranties given by the Company in relation to the beneficial ownership of the entire equity capital of LKA and that such interest is free from any encumbrances, claims, equities or third party rights of whatsoever nature remaining true and accurate.

Mr. Deacon Chiu shall be entitled to waive condition (ii) above. The Company will issue an announcement if condition (ii) above is waived by Mr. Deacon Chiu.

Completion

Completion of the Sale and Purchase Agreement will take place on the third business day after all the conditions precedent of the Sale and Purchase Agreement have either been fulfilled or waived, as the case may be. It is expected that completion of the Sale and Purchase Agreement will take place on or before 21 June, 2004. If any of the conditions precedent has not been fulfilled (or waived by Mr. Deacon Chiu) by 21 June, 2004 (or such other date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement will lapse.

Information on the Group

The Company is incorporated in Hong Kong with limited liability and whose securities are listed on the Stock Exchange. The Group is principally engaged in (i) information technology; (ii) industrial manufacturing; (iii) property development, investment and rental; (iv) securities investment; and (v) entertainment and leisure-related businesses.

Information on LKA

LKA, a wholly foreign owned enterprise established in the PRC on 18 June, 1997, is wholly-owned by the Company. As at the Latest Practicable Date, the directors of LKA are Mr. Deacon Chiu, Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu (all of whom are also Directors) and Mr. Yang Zhen.

LETTER FROM THE BOARD

LKA is engaged in the operation of an amusement park in Haimen of Jiangsu Province, the PRC. The land use rights of the Land on which the amusement park is built on are owned by LKA. Based on the audited results of LKA, LKA recorded turnover and after-tax net loss of approximately HK\$0.4 million and approximately HK\$6.0 million respectively for the financial year ended 31 December, 2002 and turnover and after-tax net loss of approximately HK\$0.2 million and HK\$0.5 million respectively for the financial year ended 31 December, 2003.

The audited net asset value of LKA as at 31 December, 2003 was about HK\$0.6 million. Under the Sale and Purchase Agreement, the Company agreed to waive an amount of about HK\$4.8 million owed by LKA to the Company and to other members of the Group. Based on the Valuation Report, the valuation of the Land as at 19 April, 2004 was approximately HK\$9.2 million as compared to its book value of about HK\$5.8 million as at 31 December, 2003. Taking into consideration of the above, the adjusted audited net asset value of LKA will be approximately HK\$8.8 million.

Reasons for the LKA Disposal

The Group has continued to restructure its operations by disposing of non-core assets since 2003. It is the intention of the Directors for the Group to exit the entertainment and leisure business segment and to focus on the development of its information technology and industrial manufacturing businesses. LKA is the only remaining entertainment and leisure business of the Group and the Group will exit this business segment entirely upon completion of the LKA Disposal.

The amusement park operation of LKA began in June, 1997. It has been loss-making since its incorporation and has accumulated losses of approximately HK\$18.9 million since its commencement of business. The Directors do not expect any significant turnaround in this business. The Group will recognise a profit of about HK\$3.4 million following the LKA Disposal and its liabilities (in this case being the Company's owing to Mr. Deacon Chiu) will reduce accordingly. The LKA Disposal is therefore in line with the Group's business strategy and its restructuring plan to strengthen its financial position. It will also relieve the Group from a business which has a loss-making track record.

The Directors consider the terms of the Sale and Purchase Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Company. They are of the view that the LKA Disposal is in the interest of the Company and the Shareholders as a whole and the terms of it are fair and reasonable as far as the Independent Shareholders are concerned.

Implication under the Listing Rules

The LKA Disposal constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company. As Mr. Deacon Chiu is the Chairman of the Board and an executive Director and that he and his associates are interested in an aggregate of about 60.2% of the issued share capital of the Company, the LKA Disposal also constitutes a connected transaction of the Company under the Listing Rules.

Each of the percentage ratios (as defined in the Listing Rules) is less than 25% and the consideration of the Sale and Purchase Agreement is less than HK\$10 million. Based on the foregoing, under Rule

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14A.32(2) of the Listing Rules, the LKA Disposal is subject to reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

EGM

Set out on pages 22 to 23 of this circular is a notice of the EGM to be held at 3:00 p.m. on 25 June, 2004 (or any adjournment thereof) at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong at which a special resolution will be proposed to be considered and, if thought fit, approve the Capital Reorganisation.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present in person at the EGM, you are requested to complete the form of proxy and return it to the office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of EGM. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

In accordance with the Company's Articles of Association and the Companies Ordinance, (a) not less than three members present in person or by proxy having the right to vote at the meeting; or (b) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (c) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right may demand that the vote in respect of any resolution to be put to the general meeting be taken on a poll (on or before the declaration of the result of the show of hands).

GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I and Appendix II to this circular.

RECOMMENDATION

The Directors believe that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend Shareholders to vote in favour of the aforesaid resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Far East Technology International Limited
Duncan Chiu
Managing Director and Chief Executive Officer



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
VANCOUVER • HONG KONG • PRC • PHILIPPINES
CHARTERED SURVEYORS • INTANGIBLE ASSET VALUERS
PLANT AND MACHINERY VALUERS • INTERNATIONAL PROPERTY CONSULTANTS

28 May, 2004

The Directors
Far East Technology International Ltd.
16th Floor
Far East Consortium Building
No. 121 Des Voeux Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the land use rights of a parcel of land (hereinafter referred to as the “property”) held by Far East Technology International Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter together with the Company referred to as the “Group”) in the People’s Republic of China (hereinafter referred to as the “PRC” or “China”), we confirm that we have conducted physical inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the property as at 19 April, 2004 (hereinafter referred to as the “date of valuation”) for the Company’s internal management reference purpose.

Our valuation of the property is on the basis of the Market Value and the RICS Appraisal and Valuation Standards (hereinafter referred to as the “RICS Standards”) published by the Royal Institution of Chartered Surveyors. RICS Standards defines the term “Market Value” as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing property, we have assumed that the owner sells the property on the open market as a bare land without the playground facilities and its related structures erected thereon. Also, we have assumed that the property to be sold without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property.

The property has been valued on a market basis assuming sale with vacant possession by using the sales comparison approach. This approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

In valuing the property we have assumed that the Group has free and uninterrupted rights to use or assign the property interest for the whole of the unexpired terms as granted and any premiums payable have already been fully paid.

We have relied to a considerable extent on the information provided by the management of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have been provided with copies of the title documents regarding to the property. However, we have not searched the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. Due to inherent defects in the land registration system of China, we are unable to search the original documents from the relevant land registration departments to verify the existing titles of the property or any material encumbrances that might be attached to the property. We are not attorney in nature, and we are unable to ascertain the titles and encumbrances (if any) registered against the property. All documents and leases have been used as reference only.

We have inspected the property in respect of which we have been provided with such information as we have required for the purpose of our valuation. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

We have not carried out on-site measurements to verify the correctness of the floor areas of the property, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries and location of the property. No responsibility is assumed.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

To the best of our knowledge, all data set forth in the attached valuation certificate is true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Company of material and latent facts that may affect the valuation.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

The scope of valuation has been determined with reference to the property list provided by the management of the Company. The management of the Company has confirmed to us that it has no property other than those specified on the list supplied to us.

Our opinion of value of the property in the attached valuation certificate is valid only for the stated purpose and only for the date of valuation, and for the sole use of the named client. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur subsequent to the date hereof.

The attached valuation certificate is prepared in line with the ethics and guidelines as contained in the RICS Standards. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

Neither the whole nor any part of the attached valuation certificate or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this letter and the attached valuation certificate in a circular to the Company's shareholders.

Unless otherwise stated, all monetary amounts are in Renminbi.

We retain a copy of this letter and the attached valuation certificate in our files, together with the data from which it was prepared. We considered these records confidential, and we do not permit access to them by anyone without the Company's authorisation and prior arrangement made with us.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have neither present nor prospective interest in the property, the Company, the Group or the value reported.

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Elsa Ng Hung Mui
B.Sc. M.Sc. MRICS RPS(GP)
Associate Director

Note: Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 4 years of experience in valuing properties in mainland China.

VALUATION CERTIFICATE

Property held by the Group in the PRC and valued on the basis of Market Value

Property	Description and tenure	Particulars of occupancy	Market Value in existing state attributable to the Group as at 19 April 2004 RMB
A parcel of land known as Li Yuan Playground and located at Xiu Shan Road Haimen City Jiang Su Province The PRC	The property comprises a parcel of leveled land in rectangular shape and having a site area of approximately 33,334 sq.m. designated for playground project usage. There are various mechanical playground facilities erected thereon.	The property is currently occupied as a profit-making playground.	RMB 9,700,000 (100 per cent. to the Group)
	The property is subject to a right to use the land for a term of 40 years from 25 September, 1997 to 24 September, 2037.		

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted by the State to 荔園遊樂場(海門)有限公司 through a Contract for the Grant of State-owned Land Use Rights dated 11 July, 1997 and a State-owned Land Use Rights Certificate dated 25 September, 1997 and known as 海國用(1997)字第070020號. According to the land grant contract and the State-owned Land Use Rights Certificate, we are given to understand that the land has a site area of approximately 33,334 sq. m. with a lease term of 40 years from 25 September, 1997 to 24 September, 2037 and the land is designated for recreational and commercial purpose for 荔園遊樂場 project.
2. According to an Enterprise Legal Person Business License 企業法人營業執照 known as 企獨荔通總字第002913號 dated 16 April, 2002, the interested party in the property is 荔園遊樂場(海門)有限公司 which was a foreign wholly owned enterprise established in China for a term of 50 years from 18 June, 1997 to 17 June, 2047.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the equity and debt securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Personal interest	Family interest	Corporate interest	Total interest
Deacon Te Ken Chiu the Company	12,548,000	6,110,000 ⁽¹⁾	6,228,600	24,886,600
David Chiu the Company	–	–	28,040,000	28,040,000
Dennis Chiu the Company	25,110,200	–	30,400,000 ⁽²⁾	55,510,200
Tang Dynasty City Pte. Ltd.	1,250,000	–	–	1,250,000
Daniel Tat Jung Chiu the Company	11,000,000	–	72,400,200 ⁽³⁾	83,400,200
Duncan Chiu the Company	32,956,211	–	–	32,956,211
Margaret Chiu the Company	5,000,000	–	–	5,000,000
Derek Chiu the Company	201,000	–	–	201,000

Notes:

1. The 6,110,000 shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
2. The 30,400,000 shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
3. Of the 72,400,200 shares, 30,400,000 shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Save as disclosed herein, none of the Directors has or had any direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 December, 2003, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors has any existing or proposed service contract (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)) with any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons (other than the Directors or the chief executive of the Company) had a long position or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Positions in the Shares

Name of Shareholder	Number of Shares held	%
Gorich Holdings Limited (“Gorich”) (Note 1)	42,000,200	12.66
Rocket High Investments Limited (“Rocket”) (Note 2)	28,040,000	8.45
Tricom Cyberworld Holdings Limited	19,282,000	5.81

Notes:

1. The shareholding held by Gorich is entirely duplicated or included in the shareholding stated in the corporate interest of Mr. Daniel Tat Jung Chiu, as mentioned in the section headed “Disclosure of Interests” above.
2. The shareholding held by Rocket is entirely duplicated or included in the shareholding stated in the corporate interest of Mr. David Chiu as mentioned in the section headed “Disclosure of Interests” above.

Save as disclosed in this circular, the Directors were not aware of any person as at the Latest Practicable Date who had a long position or short position in the Shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, neither the Company nor any of its subsidiaries had entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material.

6. QUALIFICATION OF EXPERTS

The following is the qualification of the expert who has given opinion or advice in this circular:

Expert	Qualification
LCH (Asia-Pacific) Surveyors Limited	Professional surveyor

LCH (Asia-Pacific) Surveyors Limited does not have any shareholding in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

LCH (Asia-Pacific) Surveyors Limited does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December, 2003, being the date to which the latest published audited financial statements of the Company were made up.

LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which it appears.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2003, the date to which the latest audited financial statements of the Company were made up.

8. MISCELLANEOUS

- (a) The secretary of the Company is Chow Kwok Wor, FCS, FHKSA.
- (b) The qualified accountant of the Company is James Cheerik Yu, B.Sc., AICPA.
- (c) The registered office of the Company is situated at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong. The share registrar of the Company is Computershare Hong Kong Investor Services Limited, situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 0036)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that a extraordinary general meeting (“EGM”) of the shareholders of Far East Technology International Limited (the “Company”) will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Friday, 25 June, 2004 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** subject to the sanction of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “Court”) of the capital reduction contemplated herein:

- (a) every 5 shares of HK\$1.00 each in the share capital of the Company (whether issued or unissued) on the date on which the petition for the confirmation of the capital reduction herein is heard by the Court be consolidated (“Share Consolidation”) into a share of HK\$5.00 each (“Consolidated Share”);
- (b) immediately following the Share Consolidation, (i) the par value of each of the Consolidated Shares in issue be reduced from HK\$5.00 to HK\$0.01 (“Capital Reduction”) by way of cancelling the paid-up capital in the amount of HK\$4.99 from each Consolidated Share; and (ii) each authorised but unissued Consolidated Share of HK\$5.00 each be subdivided into 500 shares of HK\$0.01 each so that the authorised share capital of the Company shall be HK\$700,000,000 divided into 70,000,000,000 shares of HK\$0.01 each;
- (c) the credit amount of HK\$331,005,567 (the “Credit Amount”) arising as a result of the Capital Reduction (as defined in sub-paragraph (b) above) be, to the extent permitted by the Court and subject to any conditions which the Court may impose, applied towards the elimination of the accumulated losses of the Company as at 31 December, 2003 in the amount of HK\$552,066,993 (the “Accumulated Losses”) as shown in the audited accounts of the Company for the year ended 31 December, 2003;
- (d) an amount equal to the Accumulated Losses less the Credit Amount standing to the credit of the Company’s share premium account as at 31 December, 2003 be reduced and the credit of HK\$221,061,426 arising therefrom be applied to eliminate the balance of the Accumulated Losses; and

NOTICE OF EGM

- (e) any director of the Company be and is hereby authorised to do all acts and things which in his opinion are necessary to effect and implement any of the foregoing.”

By order of the Board

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 28 May, 2004

Head Office and Principal Place of Business:

16th Floor, Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. As at the date hereof, the executive directors of the Company are Mr. Deacon Chiu, Mr. Duncan Chiu and Mr. Dennis Chiu, the non-executive directors of the Company are Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; and the independent non-executive directors of the Company are Mr. Chi Man Ma and Mr. Siu Hong Chow.