
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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 36)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 65% EQUITY INTEREST IN
WUXI CHEERMAN PROPERTY COMPANY LIMITED**

This circular is provided for the information of the shareholders of Far East Technology International Limited only.

3 July, 2006

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Share Transfer Agreement	4
Information on Wuxi Cheerman	5
Reasons and effects of the Disposal	6
Use of proceeds	6
Opinion of the Board	6
Additional information	7
Appendix – General Information	8

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Far East Technology International Limited, a company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal Agreement
“Consideration”	the sale price of RMB15.5 million for the Disposal
“Directors”	means the directors of the Company
“Disposal”	the disposal by the China Entertainment (Jiangsu) Development Limited of a 65% equity interest in Wuxi Cheerman Property Company Limited to 無錫市新業建設發展公司 pursuant to the Share Transfer Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	30 June, 2006, being the latest practicable date for ascertaining information referred to in this circular prior to the printing of this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Transfer Agreement”	the conditional agreement dated 28 May, 2006 entered into between the Transferor and the Transferee for the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferee”	無錫市新業建設發展公司, a company incorporated in the PRC

DEFINITIONS

“Transferor”	China Entertainment (Jiangsu) Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It holds 65% equity interest in Wuxi Cheerman Property Company Limited
“Wuxi Cheerman”	Wuxi Cheerman Property Co Ltd, a joint venture registered and engaged in letting of properties in the PRC
“%”	per cent

In this circular, for data purpose only, certain amounts in RMB have been translated into HK\$ at a rate of RMB1.04 to HK\$1.

LETTER FROM THE BOARD



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 36)

Executive Directors:

Mr. Deacon Te Ken 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:

Tan Sri Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Ms. Margaret Chiu

Head office and Principal Place of

Business:

Room 1802-1804, 18th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Independent Non-executive Directors:

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

Mr. Hing Wah Yim

3 July, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF 65% EQUITY INTEREST IN WUXI CHEERMAN PROPERTY COMPANY LIMITED

INTRODUCTION

On 28 May, 2006, the China Entertainment (Jiangsu) Development Limited entered into the Share Transfer Agreement with the 無錫市新業建設發展公司 for the disposal of 65% equity interest in Wuxi Cheerman. The consideration for the Disposal is RMB15.5 million and shall be payable in cash on completion date.

LETTER FROM THE BOARD

SHARE TRANSFER AGREEMENT

- Date of the Agreement: 28 May, 2006
- Transferor: China Entertainment (Jiangsu) Development Limited, a wholly-owned subsidiary of the Company, holds 65% equity interest in Wuxi Cheerman Property Company Limited.
- Transferee: 無錫市新業建設發展公司
- Interest to be transferred: 65% equity interest in Wuxi Cheerman Property Company Limited.
- Consideration: the consideration of RMB15.5 million shall be payable in cash and the consideration was determined after arm's length negotiations between the Transferor and the Transferee by reference to the net assets of Wuxi Cheerman as stated in the audited balance sheet as at 31 December, 2005.
- Conditions precedent:
- (i) the results of the assets valuation of Wuxi Cheerman as of 28 May, 2006 having been filed with and recorded at the PRC State-owned Assets Supervision and Administration authority; and
 - (ii) approval having been obtained from PRC State-owned Assets Supervision and Administration authority confirming that the 65% equity interest in Wuxi Cheerman shall be transferred to the Company by way of the Share Transfer Agreement.

In the event that any of the above conditions is/are not fulfilled by 9 September, 2006, the Transferor and the Transferee shall be entitled to terminate the Share Transfer Agreement.

- Payment terms:
- (i) RMB10 million shall be payable in cash within 3 days after the conditions precedent have been fulfilled; and
 - (ii) the balance of RMB5.5 million shall be payable in cash within 3 days after completion of the relevant industry and commence registration in the PRC required in respect of the Share Transfer Agreement.

VALUE OF THE EQUITY INTEREST TO BE DISPOSED OF AND BASIS OF NEGOTIATION

(a) Value

Value of the assets to be disposed of is approximately HK\$1.58 million comprises of:

- (i) Approximately HK\$6.48 million being the carrying amount of 65% interest in Wuxi Cheerman; and
- (ii) Approximately HK\$4.9 million being the share of post-acquisition loss and net of dividends received.

LETTER FROM THE BOARD

(b) Basis upon which the consideration was determined

The consideration for the disposal was arrived at after arm's length negotiations between the parties involved, by reference to the total of HK\$11.2 million being the acquisition cost of 65% interest in Wuxi Cheerman completed in April, 1996 and also by reference to approximately HK\$15.73 million being the net asset value of Wuxi Cheerman's audited balance sheet at 31 December, 2005.

(c) The gain on disposal expected to accrue to the Company

The gain on disposal expected to accrue to the Company would be approximately HK\$13.32 million (that is the consideration of HK\$14.9 million (RMB15.5 million) less the value of the assets to be disposal of approximately HK\$1.58 million).

INFORMATION ON THE COMPANY

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and a jointly controlled entity are information technology, manufacturing and trading of garment and commodity concrete. Investment in properties for rental purpose, property development and investment in securities.

INFORMATION ON THE TRANSFEREE

The Transferee is an investment holding company and incorporated in the PRC. The Directors confirm that to the best of their knowledge information and belief having made all reasonable enquiry, the Transferee and the ultimate beneficial owner of the Transferee are third parties independent of the Company and connected persons of the Company.

INFORMATION ON WUXI CHEERMAN

Wuxi Cheerman, a joint venture registered and engaged in letting of properties in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and another PRC joint venture partner.

The audited net (loss)/profit before/after taxation and net assets value of Wuxi Cheerman for the year ended 31 December, 2005 and 31 December, 2004 respectively were as follows:

	31.12.2005	31.12.2004
	<i>RMB</i>	<i>RMB</i>
Net (loss)/profit before taxation	(1.96 million)	0.08 million
Net (loss)/profit after taxation	(1.96 million)	0.05 million
Net assets value	16.36 million	18.30 million

LETTER FROM THE BOARD

REASONS AND EFFECTS OF THE DISPOSAL

It is the intention of the Group to focus on its core businesses including the development of its information technology and industrial manufacturing. As (i) Wuxi Cheerman is not considered as a core business to the Group, and (ii) Wuxi Cheerman has suffered loss in 2005, it is in the interest of the Company to dispose of it.

The book value of the Disposal is approximately HK\$1.58 million representing approximately 0.67% of the consolidated total assets of the Group in the amount of HK\$236.6 million as at 31 December 2005. The Directors therefore consider the financial impact of the Disposal on the Group is minimal.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to retain the sale proceeds resulting from the Disposal as general working capital.

OPINION OF THE BOARD

The Board is of the opinion that the transaction can integrate resources and develop core industry as well as bring forth investment revenue for the Company in the year 2006, which in turn will be beneficial for the development of the Company.

The Company held its Board meeting at the conference room of the Company on 26 May, 2006. Two eligible Directors attended the meeting.

After the Directors' diligent and due consideration in the meeting, the following resolutions were unanimously passed on a show of vote with 2 affirmative votes, 0 dissenting vote and 0 abstained vote:

To approve the resolution for the disposal of 65% equity interest of Wuxi Cheerman held by the Group. 無錫市新業建設發展公司 is the Transferee of such equity interest. The consideration for the Disposal is RMB15.5 million, which was arrived at on the basis of RMB10.634 million, namely, 65% of Wuxi Cheerman's audited net asset value approximately to RMB16.36 million as at 31 December, 2005.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the 'General Information' in the appendix to the Circular.

Yours faithfully
By order of the Board
Duncan Chiu
Managing Director and Chief Executive Officer

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 with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Long positions of Directors' interests in shares:

Name of director	Number of ordinary shares of the Company held				Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Deacon Te Ken Chiu	12,553,180	2,087,580 ⁽¹⁾	1,612,683	16,253,443	14.85%
Tan Sri Dato' David Chiu	1,870,000	–	6,168,800 ⁽²⁾	8,038,000	7.34%
Ms. Margaret Chiu	1,100,000	–	–	1,100,000	1.01%
Mr. Dennis Chiu	4,584,468	–	2,200,000 ⁽³⁾	6,784,468	6.20%
Mr. Daniel Tat Jung Chiu	2,420,000	–	11,440,044 ⁽⁴⁾	13,860,044	12.66%
Mr. Derek Chiu	44,220	–	–	44,220	0.04%
Mr. Desmond Chiu	1,100,000	–	–	1,100,000	1.01%
Mr. Duncan Chiu	30,218,728	–	–	30,218,728	27.61%

Notes:

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (2) These shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (3) These shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (4) Of the 11,440,044 shares, 2,200,000 shares are held by Cape York, and the remaining 9,240,044 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.

The interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which may be issued pursuant to exercise of the share options granted to the Directors by the Company are set out in the paragraph headed "Directors' interests in share options of the Company" below.

(ii) Directors' interests in share options of the Company

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which may be issued pursuant to exercise of the share options granted to the Directors pursuant to the Company's share option scheme were as follows:

Name of Director	Exercise period of options	Exercise price of options (HK\$)	Number of outstanding options
Mr. Deacon Te Ken Chiu	21/07/2005-20/07/2015	1.2683	2,128,848
Mr. Duncan Chiu	21/07/2005-20/07/2015	1.2683	3,406,158
	23/05/2006-22/05/2016	1.34	1,800,000
	23/05/2007-22/05/2017	1.34	1,800,000
Mr. Dennis Chiu	21/07/2005-20/07/2015	1.2683	1,064,424
Mr. Siu Chung Wu	23/05/2006-22/05/2016	1.34	450,000
	23/05/2007-22/05/2017	1.34	450,000
Ms. Wendy Kim Bing Yung	21/07/2005-22/07/2015	1.2683	212,885
	23/05/2006-22/05/2016	1.34	150,000
	23/05/2007-22/05/2017	1.34	150,000
Mr. Hung Kwong Lui	21/07/2005-20/07/2015	1.2683	212,885
	23/05/2006-22/05/2016	1.34	150,000
	23/05/2007-22/05/2017	1.34	150,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he 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 Listing Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors knows of any person (not being a Director or chief executive of the Company) who had an interest or short position in shares or underlying shares 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, directly or indirectly, interested 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 other member of the Group or held any option in respect of such capital.

(a) Service contracts

None of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company.

(b) Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2005, being the date of the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and
- (iii) none of the Directors was interested in any business that was in competition with the Group.

4. LITIGATION

Neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

Save as disclosed herein, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date of the latest published audited accounts of the Company were made up.

6. GENERAL

- (a) The registered office of the Company is at 16/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong and the head office and the principal place of business of the Company in Hong Kong is at Room 1802-04, 18/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The qualified accountant and Secretary of the Company is Mr. Hung Kwong Lui, who is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.
- (d) The English text of this circular shall prevail over the Chinese text.