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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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: 36)

**DISCLOSEABLE TRANSACTION  
INVESTMENT IN A JOINT VENTURE COMPANY**

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

19 October 2006

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	3
The JV Agreement .....	4
Information on Beijing Kailan .....	8
Reasons for the Capital Injection into Beijing Kailan .....	8
Financial effect .....	8
General .....	9
Additional Information .....	9
<b>Appendix – General Information</b> .....	10

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## DEFINITIONS

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

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

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## DEFINITIONS

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“Latest Practicable Date”	17 October 2006, 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
“Jubilee Star”	Jubilee Star Limited (禧星有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transformation”	the contribution of additional capital by Jubilee Star to Beijing Kailan and the transformation of Beijing Kailan into a sino-foreign equity joint venture pursuant to the JV Agreement
“%”	per cent

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

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## LETTER FROM THE BOARD

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### FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

*(Incorporated in Hong Kong with limited liability)*

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

(Stock Code: 36)

*Executive Directors:*

Deacon Te Ken Chiu *J.P. (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

19 October 2006

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

### INVESTMENT IN A JOINT VENTURE COMPANY

#### INTRODUCTION

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

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## LETTER FROM THE BOARD

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The contribution of capital by Jubilee Star to Beijing Kailan pursuant to the JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide information containing, among other things, details of the JV Agreement.

### THE JV AGREEMENT

#### Principal Terms of JV Agreement

Date:	27 September 2006
Parties:	China Aviation Supplies; and Jubilee Star
Scope of business of the JV Co.:	(i) maintenance and manufacture of aviation components, including maintenance and manufacture of aircraft parts and investment in aviation maintenance and manufacture; (ii) guarantee of supply of aviation components; and (iii) governmental service, support and development of aviation technology and related consultation services
Registered capital upon completion of the Transformation and relevant approval procedures:	approximately RMB63.97 million, of which (i) approximately RMB43.50 million has been contributed by China Aviation Supplies, representing 68% of the total registered capital; and (ii) approximately RMB20.47 million will be contributed by Jubilee Star, representing 32% of the total registered capital.

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

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

#### Conditions Precedent:

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

- (1) China Aviation Supplies has completed all necessary internal approval procedures and obtained all necessary approvals and consents in respect of the execution and performance of the JV Agreement;

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## LETTER FROM THE BOARD

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- (2) the obtaining of the asset valuations on Beijing Kailan from a qualified asset valuation institution and approval from the relevant state-owned asset administration authority of the valuation by China Aviation Supplies;
- (3) China Aviation Supplies has issued a letter to agree to (i) the capital injection of RMB20.47 million by Jubilee Star into Beijing Kailan; and (ii) waive its pre-emption right in respect of such capital contribution;
- (4) China Aviation Supplies and Jubilee Star have entered into the JV Agreement and the joint venture articles of association of Beijing Kailan. (the “JV Articles”);
- (5) the obtaining of the approval(s) of the JV Agreement and the JV Articles and of the certificate of approval of foreign investment enterprise (外商投資企業批准證書) by the foreign investment approval authority with competent jurisdiction and the contents of such approvals and certificate have not altered any of the fundamental provisions of the JV Agreement and the JV Articles;
- (6) the issue of new business licence (中華人民共和國企業法人營業執照) to Beijing Kailan in respect of the contribution of capital by Jubilee Star from the relevant Administration of Industry and Commerce and the contents of such licence have not altered any of the fundamental provisions of the JV Agreement and the JV Articles; and Jubilee Star shall comply with the requirements under the Measures Governing the Foreign Acquisition of Domestic Enterprise (關於外國投資者併購境內企業的規定) of the PRC;
- (7) 2 directors nominated by China Aviation Supplies to the board of directors of Beijing Kailan have executed letters of resignation effective on the Completion Date and Beijing Kailan accepting the 2 nominees of Jubilee Star to be appointed as directors of Beijing Kailan with effect from such date;
- (8) completion of registration and other statutory formalities and confirmation in respect of previous changes in the equity interest in Beijing Kailan and a subsidiary and an associated company of Beijing Kailan;
- (9) execution of an agreement for the transfer of the remaining approximately 0.59% equity interest in Beijing Kailan from China Aviation Resources to China Aviation Supplies;
- (10) the obtaining of a PRC legal opinion from a PRC legal adviser appointed by Jubilee Star confirming the completion of the above conditions; and
- (11) the compliance by the Company of its disclosure obligations in respect of the JV Agreement and the transactions contemplated thereunder under the Listing Rules and applicable laws of Hong Kong.

The Company may at any time waive all or part of the conditions set out above. If any the conditions set out above have not been satisfied within 6 months from the date of the JV Agreement or such later date as the parties thereto may agree, the JV Agreement shall cease and determine and neither

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## LETTER FROM THE BOARD

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party shall have any obligations and liabilities thereunder. As at the Latest Practicable Date, the Company had no intention to waive any of the above conditions.

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

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

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

*Note:* The Company, Beijing Kailan and China Aviation Supplies had no concrete plan on the listing of Beijing Kailan as at the Latest Practicable Date.

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

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



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## LETTER FROM THE BOARD

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

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

### **Further Financing**

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

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

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

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

### **Non-competition**

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

### **Profit Sharing**

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

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## LETTER FROM THE BOARD

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### INFORMATION ON BEIJING KAILAN

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

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

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

### REASONS FOR THE CAPITAL INJECTION INTO BEIJING KAILAN

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

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

### FINANCIAL EFFECT

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

The results and assets and liabilities of associated companies of the Company are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associated company, less any identified impairment loss. When the Group's share of losses of an

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## LETTER FROM THE BOARD

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associated company equity or exceeds its interest in that associated company, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associated company.

### **GENERAL**

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

### **ADDITIONAL INFORMATION**

Your attention is drawn to the “General Information” in the appendix to this 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

### (1) Directors' Interests

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares or underlying shares of the Company 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 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 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 were as follows:

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

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	
Deacon Te Ken Chiu, <i>J.P.</i>	12,764,011	2,087,580 <sup>(1)</sup>	1,612,683	16,464,274	15.04%
Tan Sri Dato' David Chiu	1,870,000	–	6,168,800 <sup>(2)</sup>	8,038,800	7.34%
Ms. Margaret Chiu	1,100,000	–	–	1,100,000	1.01%
Mr. Dennis Chiu	4,689,900	–	2,200,000 <sup>(3)</sup>	6,889,900	6.29%
Mr. Daniel Tat Jung Chiu	2,420,000	–	11,440,044 <sup>(4)</sup>	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	31,041,595	–	–	31,041,595	28.36%

*Notes:*

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, *J.P.*.
- (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 Grantee	Number of Shares Options				Exercise price HK\$	Grant date	Exercisable period
	Outstanding as at 1/1/2006	Granted during the period	Adjustment for Bonus Issue	Outstanding as at the Latest Practicable Date			
Deacon Te Ken Chiu, <i>J.P.</i>	2,128,848	-	210,831	2,339,679	1.154 <sup>(i)</sup>	21/7/2005	21/7/2005-20/7/2015
Mr. Dennis Chiu	1,064,424	-	105,432	1,169,856	1.154 <sup>(i)</sup>	21/7/2005	21/7/2005-20/7/2015
Mr. Duncan Chiu	3,406,158	-	337,309	3,743,467	1.154 <sup>(i)</sup>	21/7/2005	21/7/2005-20/7/2015
	-	1,800,000	178,235	1,978,235	1.2193 <sup>(ii)</sup>	21/4/2006	23/5/2006-22/5/2016
	-	1,800,000	178,235	1,978,235	1.2193 <sup>(ii)</sup>	21/4/2006	23/5/2007-22/5/2017
Aggregate for directors	6,599,430	3,600,000	1,010,042	11,209,472			
Aggregate for employees	425,770	-	42,228	467,998	1.154 <sup>(i)</sup>	21/7/2005	21/7/2005-20/7/2015
	-	750,000	74,265	824,265	1.2193 <sup>(ii)</sup>	21/4/2006	23/5/2006-22/5/2016
	-	750,000	74,265	824,265	1.2193 <sup>(ii)</sup>	21/4/2006	23/5/2007-22/5/2017
	<u>7,025,200</u>	<u>5,100,000</u>	<u>1,200,800</u>	<u>13,326,000</u>			

*Notes:*

- (1) At the 2005 Annual General Meeting of the Company held on 23 May 2005, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30 June 2006, there are options relating to 13,326,000 Shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.
- (2) At the annual general meeting of the Company held on 23 May 2006, a bonus issue of one new Share for every ten Shares ("Bonus Issue") held as of that date was approved by the shareholders. All the share options which were granted and remained outstanding as of 23 May 2006 were adjusted with the Bonus Issue and accordingly, the number of share options increased by one Share for every ten Shares in the share options, and the exercise price per Share was adjusted from (i) HK\$1.2683 to HK\$1.154; and (ii) HK\$1.34 to HK\$1.2193 respectively.

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.

**(iii) 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 as at the Latest Practicable Date.

**(iv) Competing interest**

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

**(2) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO**

**SUBSTANTIAL SHAREHOLDERS**

At Latest Practical Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' Interests", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of Substantial Shareholder	Number of ordinary shares of the Company held	Percentage of issued share capital of the Company
Gorich Holdings Limited ("Gorich") <sup>(1)</sup>	9,240,044	8.44%
Max Point Holdings Limited ("Max Point") <sup>(2)</sup>	7,764,240	7.09%
Rocket High Investments Limited ("Rocket") <sup>(3)</sup>	6,168,800	5.64%
Virtual Dragon International Limited ("Virtual Dragon") <sup>(4)</sup>	5,611,760	5.13%

*Notes:*

- (1) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' Interests" above.
- (2) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.
- (3) Rocket is wholly-owned by Tan Sri Dato' David Chiu. The interests of Tan Sri Dato' David Chiu in the Company is stated under the section headed "Directors' Interests" above.
- (4) These shares are held by Peace View Company Limited ("Peace View"), a wholly-owned subsidiary of Far East Consortium Limited ("FEC"). On 28 March 2001, FEC had entered into a Sale of Shares Agreement with Virtual Dragon to dispose of its entire equity interests in Peace View to Virtual Dragon.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at the Latest Practical Date.

**3. 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.

**4. 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.