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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
ACQUISITION OF PROPERTY**

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

22 December 2006

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property by Purchaser from the Vendor at a total consideration of HK\$27,000,000
“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 sale and purchase of the Property
“Consideration”	the total consideration for the Acquisition, which amounts to HK\$27,000,000 under the Provisional Agreement
“Directors”	the directors of the Company
“Formal Agreement”	the formal sale and purchase agreement was made by the Purchaser and the Vendor on 12 December 2006 in relation to the Acquisition, whose major terms were the same as those of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	18 December 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
“Property”	Flat C on 22nd Floor of Tower 3, Tregunter, with car parking space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong
“Provisional Agreement”	the provisional sale and purchase agreement dated 29 November 2006 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Purchaser”	River Joy Limited, a wholly-owned subsidiary of the Company which incorporated in Hong Kong

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Lee Lo Miu Ling and Lee Marcus, being third parties independent of the Company and connected persons of the Company
“%”	per cent

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:

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

22 December 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

The Board announces that on 29 November 2006, the Purchaser entered into the Provisional Agreement with the Vendor for the acquisition of the Property at a total consideration of HK\$27,000,000.

THE PROVISIONAL AGREEMENT

Date: 29 November 2006

Purchaser: River Joy Limited, a wholly-owned subsidiary of the Company

LETTER FROM THE BOARD

Vendor: Lee Lo Miu Ling and Lee Marcus

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is third parties independent of the Company and connected persons (within the meaning ascribed to it in the Listing Rules) of the Company.

Property: Flat C on 22nd Floor of Tower 3, Tregunter, with car parking space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong.

Date of Completion: On or before 29 January 2007

Pursuant to the Provisional Agreement, the Vendor will sell and the Purchaser will purchase the Property upon the terms contained therein. The Vendor and the Purchaser entered into a Formal Agreement on 12 December 2006 which had set out the terms of the Acquisition in more detail, is consistent with the Provisional Agreement.

Consideration

River Joy Limited, entered into the Provisional Agreement with Vendor to purchase the Property at a total consideration of HK\$27,000,000. The Property has a total gross floor area of approximately 3,001 sq.ft. approximately HK\$8,997 per sq.ft.. There is no existing tenancy agreement attached to the Property, and no profit will be generate thereof.

The total consideration of HK\$27,000,000 is payable to the Vendor for the Acquisition which was agreed on an arm's length basis between the Vendor and the Purchaser and on normal commercial terms with reference to the recent transaction records of similar properties in nearby locality.

The Consideration will be funded by the Group's internal resources and banking financing which is expected to be in the proportion of approximately 30% and 70% respectively. The Consideration has been or shall be (as applicable) paid by non-refundable cash as follows:

- (i) HK\$810,000 being the initial deposit representing approximately 3% of the Consideration paid on the signing of this Provisional Agreement;
- (ii) HK\$1,890,000 being the further deposit representing approximately 7% of the Consideration was paid on 12 December 2006 on the signing of the Formal Agreement; and
- (iii) the balance of HK\$24,300,000 to be paid upon Completion on or before 29 January 2007.

The Board considers that there is not material adverse impact on the operation of the Company after the Acquisition funded by internal resources and banking financing.

Completion is expected to take place on 29 January 2007 or such earlier date as agreed from time to time. The Purchaser will take vacant possession of the Property at the completion of the Formal Agreement.

LETTER FROM THE BOARD

The Property is for residential use and was previously leased out to a tenant at an aggregate monthly rental of HK\$55,000, inclusive of management fee, government rent and rates. The tenancy had already expired on 31 March 2006. The Property is now vacant.

Based on the old tenancy agreement, for the two years ended 31 March 2005 and 2006, net profit before taxation were approximately HK\$535,000 and HK\$535,000 respectively, whereas net profit after taxation for the two years ended 31 March 2005 and 2006 were approximately HK\$466,000 and HK\$466,000 respectively.

INFORMATION ON THE GROUP

The Company acts as an investment holding company. The principal activities of its subsidiaries are engaged in manufacturing and trading of garment, investment in properties for rental purpose, property development and investment in securities.

REASONS FOR THE ACQUISITION

In view of recent property market conditions and possible trend of reducing interest rate, the Directors consider that the Acquisition is a sound investment opportunity for the Group. The Directors believe that the Acquisition will improve the Group's operating performance and widen its asset base. The Directors are of the view that the Acquisition is on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole. The group will hold the Property as a long term investment.

FINANCIAL EFFECTS OF THE ACQUISITION

There is no existing tenancy agreement attached to the Property, and therefore no profit will be generated in 2006. As the Property is a profit-generating asset, the Acquisition is expected to improve the earnings of the Group. Finance charges will be incurred when banking finance can be obtained.

Upon Completion of the Acquisition, it will increase the non-current assets and decrease the current assets of approximately HK\$27 million and HK\$8.1 million respectively. Liabilities of the Company will be increased by the mortgaged amount of approximately HK\$18.9 million obtained from bank.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular in connection with the Acquisition will be dispatched to the shareholders of the Company as soon as possible.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I – General Information 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				Total interests	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Deacon Te Ken Chiu, J.P.	10,424,332	2,087,580 ⁽¹⁾	1,612,683	2,341,733 ⁽⁵⁾	16,466,328	15.04%
Tan Sri Dato' David Chiu	1,870,000	–	6,168,800 ⁽²⁾	–	8,038,800	7.34%
Ms. Margaret Chiu	1,100,000	–	–	–	1,100,000	1.01%
Mr. Dennis Chiu	3,520,044	–	2,200,000 ⁽³⁾	1,170,866 ⁽⁵⁾	6,890,910	6.30%
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	23,341,658	–	–	7,706,773 ⁽⁵⁾	31,048,431	28.37%

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.
- (5) Details of the interests of directors and chief executives of the Company in the underlying shares of equity derivatives in respect of options granted to them are stated in the "Directors' interests in share options of the Company" section.

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				Outstanding as at the Latest Practicable Date HK\$	Exercise price	Grant date	Exercisable period
	Outstanding as at 1/1/2006	Granted during the period	Outstanding as at 28/11/2006	Adjustment for Bonus Issue				
Deacon Te Ken Chiu, <i>J.P.</i>	2,128,848	-	2,128,848	212,885	2,341,733	1.153 ⁽¹⁾	21/7/2005	21/7/2005-20/7/2015
Mr. Dennis Chiu	1,064,424	-	1,064,424	106,442	1,170,866	1.153 ⁽¹⁾	21/7/2005	21/7/2005-20/7/2015
Mr. Duncan Chiu	3,406,158	-	3,406,158	340,615	3,746,773	1.153 ⁽¹⁾	21/7/2005	21/7/2005-20/7/2015
	-	1,800,000	1,800,000	180,000	1,980,000	1.2182 ⁽²⁾	21/4/2006	23/5/2006-22/5/2016
	-	1,800,000	1,800,000	180,000	1,980,000	1.2182 ⁽²⁾	21/4/2006	23/5/2007-22/5/2017
Aggregate for directors	6,599,430	3,600,000	10,199,430	1,019,942	11,219,372			
Aggregate for employees	425,770	-	425,770	42,578	468,348	1.153 ⁽¹⁾	21/7/2005	21/7/2005-20/7/2015
	-	750,000	750,000	75,000	825,000	1.2182 ⁽²⁾	21/4/2006	23/5/2006-22/5/2016
	-	750,000	750,000	75,000	825,000	1.2182 ⁽²⁾	21/4/2006	23/5/2007-22/5/2017
	<u>7,025,200</u>	<u>5,100,000</u>	<u>12,125,200</u>	<u>1,212,520</u>	<u>13,337,720</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 Latest Practicable Date, there are options relating to 13,337,720 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. On 28 November 2006, the Company's auditors confirmed to the directors in writing that the adjustments were complied with the requirements under rule 17.03(13) of Listing Rules. Therefore, all the share options of 12,125,200 shares which were granted and remained outstanding as of 28 November 2006 were officially 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\$1.153; and (ii) HK\$1.34 to HK\$1.2182 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") ⁽¹⁾	9,240,044	8.44%
Max Point Holdings Limited ("Max Point") ⁽²⁾	7,764,240	7.09%
Rocket High Investments Limited ("Rocket") ⁽³⁾	6,168,800	5.64%
Virtual Dragon International Limited ("Virtual Dragon") ⁽⁴⁾	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) Mr. Hung Kwong Lui is the secretary of the Company as well as the qualified accountant of the Company. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.