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遠東控股國際有限公司
Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

DISCLOSEABLE TRANSACTION
INVESTMENT IN A JOINT VENTURE COMPANY

Financial adviser

AmCap
Ample Capital Limited
豐盛融資有限公司

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

12 October 2007

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DEFINITIONS

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 limited liability company established under the laws of the PRC which will be converted into a sino-foreign equity joint venture enterprise and owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% 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 the entire equity interest in Beijing Kailan.
“Company”	Far East Holdings 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
“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
“Latest Practicable Date”	9 October 2007, 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

DEFINITIONS

“New JV agreement”	the new joint venture agreement dated 18 September 2007 between Jubilee Star and China Aviation Supplies in relation to the Transformation which entirely supersedes the Original JV Agreement
“Original JV Agreement”	the previous joint venture agreement entered into on 27 September 2006 between Jubilee Star and China Aviation Supplies in relation to the Transformation
“PRC”	the People’s Republic of China
“RMB”	the lawful currency of PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the 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
“%”	per cent

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

LETTER FROM THE BOARD



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(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

Ms. Min Tang

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. Hing Wah Yim

12 October 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INVESTMENT IN A JOINT VENTURE COMPANY

INTRODUCTION

Further to the announcement made by the Company on 3 October 2006 relating to the proposed investment in a joint venture company pursuant to the Original JV Agreement, the Board announced that on 18 September 2007, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation Supplies entered into the New JV Agreement for transformation of Beijing Kailan into a sino-foreign equity joint venture by capital injection of the RMB 38 million into Beijing Kailan by Jubilee Star, of which RMB 30.71 million shall be used for the increase in the registered capital and RMB 7.29 million as capital reserve. The New JV Agreement entirely supersedes the Original JV Agreement which was

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terminated and ceased to have effect on 18 September, 2007. Upon completion of the Transformation, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star.

The contribution of capital by Jubilee Star to Beijing Kailan pursuant to the New JV Agreement constitutes a discloseable transaction 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 New JV Agreement.

PRINCIPAL TERMS OF THE NEW JV AGREEMENT

Date:	18 September 2007
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:	RMB153.41 million, of which (i) RMB122.70 million has been contributed by China Aviation Supplies, representing approximately 79.98% of the total registered capital; and (ii) RMB30.71 million will be contributed by Jubilee Star, representing approximately 20.02% of the total registered capital. Jubilee Star will also contribute RMB 7.29 million to the capital reserve of Beijing Kailan.

China Aviation Supplies was established as a limited liability company under the laws of the PRC and is engaged in aviation related business. Save for the entering into of the Original JV Agreement and the New 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.

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Pursuant to the New JV Agreement, the investment in Beijing Kailan is payable by Jubilee Star by two instalments in the following manner:

- (i) the first instalment of RMB6.142 million (the “First Instalment”) shall be payable by Jubilee Star to Beijing Kailan upon the fulfilment of the conditions precedent under the New JV Agreement and before the obtaining of the certificate of approval of foreign investment enterprise (外商投資企業批准證書); and
- (ii) the remaining balance of RMB31.858 million (comprising contribution to registered capital of RMB 24.568 million and contribution to the capital reserve of RMB 7.29 million) shall be payable by Jubilee Star to Beijing Kailan within 3 months after the payment of the First Instalment.

The total investment of RMB38 million in cash by Jubilee Star to Beijing Kailan was determined with reference to, among other things, the assessed value of approximately RMB151.93 million according to the valuation report dated 18 August 2007 issued by Beijing Pan-China Assets Appraisal Company Limited (北京天健興業資產評估有限公司) by adopting the replacement cost method with the valuation reference date of 30 June 2007, the audited net asset value of Beijing Kailan as at 31 December 2006 of approximately RMB98.86 million (based on the Generally Accepted Accounting Principles of the PRC) and the increase in registered capital of Beijing Kailan. The terms of the New JV Agreement were 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 RMB38 million to Beijing Kailan pursuant to the New JV Agreement is conditional upon the fulfillment of the followings:

- (1) China Aviation Supplies having completed all necessary internal approval procedures and obtained all necessary approvals and consents in respect of the execution and performance of the New JV Agreement;
- (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 having issued a letter to agree to (i) the capital injection of RMB38 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 having entered into the New JV Agreement and the joint venture articles of association of Beijing Kailan. (the “New JV Articles”);

LETTER FROM THE BOARD

- (5) the obtaining of the approval(s) of the New JV Agreement and the New 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 New JV Agreement and the New JV Articles;
- (6) the 3 directors nominated by China Aviation Supplies to the board of directors of Beijing Kailan having executed letters of resignation effective on the date of payment of capital by Jubilee Star to Beijing Kailan and Beijing Kailan accepting the 2 nominees of Jubilee Star to be appointed as directors of Beijing Kailan with effect from such date;
- (7) the obtaining of a PRC legal opinion from a PRC legal adviser appointed by Jubilee Star confirming the completion of the above conditions; and
- (8) the compliance by the Company of its disclosure obligations in respect of the New 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 (except for condition (8) which will not be waived and must be fulfilled). If any of the conditions set out above has not been satisfied within 6 months from the date of the New JV Agreement or such later date as the parties thereto may agree, the New JV Agreement shall cease and determine and neither 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.

As at the Latest Practicable Date, none of the above conditions had been fulfilled. However, condition (8) has been fulfilled by issue of this circular by the Company.

Warranties by China Aviation Supplies

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

- (1) completion by Beijing Kailan of the disposal of 15% of the equity interest in an associated company, Chengdu S&T Aviation Technology Co., Ltd. (成都思泰航空科技有限責任公司), by 31 December 2007 and the proceeds to be received by Beijing Kailan will in aggregate be not less than the assessed value of RMB 1.65 million of such equity interest directly owned by Beijing Kailan (note);
- (2) completion by Beijing Kailan of the disposal of 70% of the equity interest in a subsidiary, Shenyang Kaite Aviation & Engine Maintenance Co. Ltd. (沈陽凱特航空發動機維修有限公司) by 31 December 2007, and the proceeds to be received by Beijing Kailan will in aggregate be not less than the assessed value of approximately RMB3.05 million of such equity interest directly owned by Beijing Kailan (note);

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- (3) the consolidated net profit before taxation of Beijing Kailan for the year ending 31 December 2007 shall be not less than RMB6 million; and
- (4) the total accounts receivables of Beijing Kailan, its subsidiaries and companies in which it holds equity interest amounted to RMB23.23 million in aggregate as at 30 June 2007, (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. As at 30 June 2007, such accounts receivables in the total amount of approximately RMB 1,500 had not been repaid for over 3 years or are not recoverable.

In the event any of the representations, warranties and undertakings by China Aviation Supplies to Jubilee Star under the New JV Agreement is breached, China Aviation Supplies shall fully compensate Beijing Kailan or companies in which it holds equity interest or Jubilee Star for any loss that may be suffered as a result of such breach.

Note: The assessed values of Chengdu S&T Aviation Technology Co., Ltd. and Shenyang Kaite Aviation & Engine Maintenance Co. Ltd. were evaluated by Beijing Pan-China Assets Appraisal Company Limited with the valuation date of 30 June 2007. These two companies are principally engaged in the provision of overhaul and maintenance of aircraft. The disposal of these two companies will enhance the efficiency of the management of Beijing Kailan for the reasons that both companies are located in remote regions and their business sizes are relatively small in scale.

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.

Any party to the New 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 50% of its voting rights, or the entity and the relevant party are under common ownership by another company as to not less than 30% of their respective voting rights, or the entity which directly or indirectly owns or is owned by the relevant party and the relevant party has the ability to exercise significant influence over the entity by attaining for more than half of the board seats in the entity.

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.

LETTER FROM THE BOARD

The Board of Directors and Senior Management

The board of directors of Beijing Kailan shall consist of six directors, four 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 has 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 2007 for the period from the date of issuance of the new business licence of the JV Co. to 31 December 2007 in proportion to the number of days of its actual payment of capital contribution made (out of the whole year).

INFORMATION ON BEIJING KAILAN

Beijing Kailan was established as a limited liability company on 12 April 1993 under the laws of the PRC. The registered capital of Beijing Kailan was RMB122.7 million as at the Latest Practicable Date and will be increased to RMB153.41 million upon completion of the Transformation and relevant approval procedures.

Upon completion of the contribution of capital by Jubilee Star to Beijing Kailan under the New JV Agreement, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star. Pursuant to the New 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 RMB2.26 million and approximately RMB6.42 million for the two years ended 31 December 2005 and 31 December 2006 respectively; and (ii) audited net profit after tax and minority interests of approximately RMB1.08 million and approximately RMB3.42 million for the two years ended 31 December 2005 and 31 December 2006 respectively (based on the Generally Accepted Accounting Principles of the PRC).

LETTER FROM THE BOARD

REASONS FOR THE CAPITAL INJECTION INTO BEIJING KAILAN

The Company's main business is to invest in potential businesses in Mainland China. The principal activities of its subsidiaries and associates include information technology, manufacturing and trading of garment, investment in properties for rental purpose, property development and investment in securities.

In view of the booming economy of the PRC in recent years, the Directors believe that the air transportation industry in 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 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 EFFECTS

The Company intends to finance its total capital commitment pursuant to the New JV Agreement of RMB38 million out of 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 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 associated company equals or exceeds its interest in that associated company, the Group discontinues recognition only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associated company.

Upon completion of the Transformation, it is estimated that there will be a positive contribution to the future earnings of the Group from the profits attributable to the Group's shareholding in Beijing Kailan. As the financial results of Beijing Kailan will not be consolidated into the unaudited consolidated financial statements of the Group, there will be no material impact on the asset and liabilities of the 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 maintained by 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	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	782,000	–	–	–		782,000	0.71%
Mr. Duncan Chiu	28,719,878	–	–	7,706,773 ⁽⁵⁾		36,426,651	33.28%

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	Exercise price	Date of grant	Exercisable period
Deacon Te Ken Chiu, <i>J.P.</i>	2,341,733	1.1530	21/07/2005	21/07/2005 – 20/07/2015
Mr. Dennis Chiu	1,170,866	1.1530	21/07/2005	21/07/2005 – 20/07/2015
Mr. Duncan Chiu	3,746,773	1.1530	21/07/2005	21/07/2005 – 20/07/2015
	1,980,000	1.2182	21/04/2006	23/05/2006 – 22/05/2016
	1,980,000	1.2182	21/04/2006	23/05/2007 – 22/05/2017
Aggregate for directors	11,219,372			
Aggregate for employees	468,348	1.1530	21/07/2005	21/07/2005 – 20/07/2015
	825,000	1.2182	21/04/2006	23/05/2006 – 22/05/2016
	825,000	1.2182	21/04/2006	23/05/2007 – 22/05/2017
	<u>13,337,720</u>			

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

- (i) As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' Interests in Shares", the following shareholders had notified the Company of interest in shares of the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

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 High") ⁽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 High 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.

The following Directors hold directorships with the following companies.

- (i) Mr. Daniel Tat Jung Chiu holds directorship in Gorich Holdings Limited; and
- (ii) Tan Sri Dato' David Chiu holds directorship in Rocket High Investments Limited.

Save as disclosed herein, as at the Latest Practicable Date, none the Directors was a director or employee of a company which had an interest or short position in the Shares and 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.

- (ii) As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities were as follows:

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	海門市經濟技術發展總公司	registered capital	40%
Panlong Investments (Holdings) Company Limited	Silver Union Investment Limited	ordinary shares	49%
Panlong Asset Management Company Limited	Silver Union Investment Limited	ordinary shares	49% (indirectly through shareholding in Panlong Investments (Holdings) Company Limited)
Panlong Far East Auction Company Limited	Silver Union Investment Limited	ordinary shares	49% (indirectly through shareholding in Panlong Investments (Holdings) Company Limited)

Save as disclosed above, as at the Latest Practicable Date there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

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.