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If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Far East Holdings International Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
A MANDATE FOR FUTURE DISPOSAL**

A notice convening the EGM of the Company to be held at The Penthouse, 24/F., Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong on Wednesday, 16 July, 2014 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

30 June 2014

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DEFINITIONS

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

“Announcement”	the announcement dated 13 June 2014 issued by the Company relating to the Future Disposal and Disposal Mandate
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“CIL”	Chinasoft International Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“CIL Shares”	the ordinary shares of CIL
“Company”	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 36)
“Director(s)”	director(s) of the Company
“Disposal Mandate”	the specific mandate to be granted by the Shareholders to the Directors to effect the Future Disposal during the mandate period of such number of CIL Shares held by the Company, which will amount to a very substantial disposal of the Company under Chapter 14 of the Listing Rules
“EGM”	extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Future Disposal and the grant of the Disposal Mandate
“Future Disposal”	the disposal of the CIL Shares by the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	26 June 2014, being the latest practicable date prior to the publication of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Remaining Group”	the Group immediately after completion of the Future Disposal
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed thereto under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent



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. Derek Chiu

Mr. Richard Yen

(Managing Director and Chief Executive Officer)

Mr. Ip Ngai Sang

Non-executive Director:

Mr. Desmond Chiu

Independent non-executive Directors:

Dr. Lam Lee G.

Mr. Eugene Yun Hang Wang

Mr. Lee Kwan Hung

Registered office:

16th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Principal office:

Room 2101–2102, 21st Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

30 June 2014

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
A MANDATE FOR FUTURE DISPOSAL**

INTRODUCTION

The Board announced on 13 June 2014 that the Company proposed to seek from the Shareholders a Disposal Mandate authorizing the Board to effect disposal(s) from time to time of the CIL Shares which may amount to a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the Future Disposal and the grant of the Disposal Mandate, a notice of the EGM and such other information as required by the Listing Rules.

LETTER FROM THE BOARD

FUTURE DISPOSAL OF THE CIL SHARES

As at the date of the Announcement, the Company held 113,399,822 CIL Shares, representing approximately 6.06% of the total issued shares of CIL. Depending on prevailing market conditions, the Board may from time to time in the future dispose of the CIL Shares. The Future Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and requires Shareholders' approval in a general meeting of the Company.

Given the volatility of the stock market, disposing of shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek prior Shareholders' approval for each disposal of such number of CIL Shares. To allow flexibility in effecting the Future Disposal of the CIL Shares at appropriate timing and manner, the Company proposes to seek from its Shareholders the Disposal Mandate subject to the parameters below.

DISPOSAL MANDATE

Mandate Period

12 months from the date of passing the resolutions approving the Disposal Mandate at the EGM.

Maximum number of CIL Shares to be Disposed

Up to 113,399,822 CIL Shares, subject to adjustments as set out in the sub-heading "Capital Restructuring of CIL" below.

Scope of Authority

The Board be authorized and empowered to determine, decide, execute and implement with full discretion all matters relating to the Future Disposal, including but not limited to (a) the timing; (b) the number of batches of disposals, the number of CIL Shares to be sold in each disposal; (c) the manner of disposal (subject to the parameters set out under the sub-heading "Manner of Disposal" below); (d) the target purchaser(s); and (e) the sale price (subject to the parameters set out under the sub-heading "Mechanism for Setting Sale Price" below).

It is expected that the purchaser(s) of the CIL Shares to be disposed of under the Disposal Mandate and their ultimate beneficial owner(s) will be third parties independent of and not connected with the Company and its connected persons. In the event that any purchaser of the Future Disposal is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Manner of Disposal

The Board be authorized and empowered to determine and decide with full discretion the manner of disposal, whether by way of sale in the open market or through block trade(s). If the Board decides to dispose of the CIL Shares through placing agent, broker or otherwise, the Company may appoint reputable placing agent or broker to identify purchaser(s) for the CIL Shares and the terms and conditions of the placing or brokerage agreement shall be negotiated on an arms' length basis. As at the Latest Practicable Date, the Board has not yet appointed or identified any placing agent or broker.

Mechanism for Setting Sale Price

If the disposal of the CIL Shares is made in the open market, it shall be sold at the market price. If the disposal of the CIL Shares is made through block trade(s), it shall be sold at a price no more than 5% discount to the average closing price of the CIL Shares in the five (5) trading days immediately prior to the date of any definitive agreement.

The Board shall ensure that regardless of the manner of disposal, the sale price per CIL Shares shall in no event be lower than HK\$1.80, which represents the lowest closing price per CIL Shares as quoted on the Stock Exchange in the fifty-two (52) weeks prior to the Announcement. In the event of capital restructuring of CIL as set out under the sub-heading "Capital Restructuring of CIL" below, the lowest sale price of HK\$1.80 will be adjusted accordingly.

The maximum 5% discount to the average closing price of the CIL Shares in the five (5) trading day period is determined with reference to, among other factors, the trading level of the securities of CIL and the discount levels of other block trades undertaken on the Stock Exchange. It represents the maximum discount to referenced average closing price which the Company may consider in the exercise of the Disposal Mandate in the context of block trade(s), having regard to the then prevailing share price performance and market sentiment.

The Company considers that the minimum sale price will allow flexibility for the Board to accommodate fluctuation in market conditions in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the CIL Shares, and is thus fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

Capital Restructuring of CIL

If and when there shall be (a) any alteration to the nominal value of CIL Shares as a result of consolidation, subdivision or reclassification, or issue of new CIL Shares to the Company by way of capitalization of profits or reserves or by way of a scrip dividend during the mandate period, or (b) an issue of new CIL Shares to the Company by way of a rights issue or open offer during the mandate period, the number of CIL Shares approved under the Disposal Mandate shall be adjusted accordingly to include such new CIL Shares issued.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The principal business activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and sales of garment products, property investment and securities investment.

INFORMATION ON CIL

CIL is a company incorporated in the Cayman Islands with limited liability and the CIL Shares are listed on the Stock Exchange (stock code: 354). The principal business activity of CIL is investment holding and its subsidiaries are engaged in the provision of information technology (IT) solutions, IT outsourcing, IT consulting services, software development, trading software and hardware products, the provision of IT training and educational software. Save for the Company's holding of the 113,399,822 CIL Shares, CIL is a third party independent of and not connected with the Company and its connected persons.

Set out below is the audited financial information of CIL for the two years ended 31 December 2013 as extracted from its published financial reports, which are available on the website of the Stock Exchange:

	For the year ended	
	31 December	
	2012	2013
	RMB'000	RMB'000
Revenue	2,768,171	3,205,985
Net profit before taxation and extraordinary items	187,716	204,918
Net profit after taxation and extraordinary items ^{Note}	150,142	200,028

Note: Net profit after taxation and extraordinary items do not include other comprehensive income.

The audited consolidated net asset value of CIL as at 31 December 2013 is RMB2,441,201,000.

REASONS FOR FUTURE DISPOSAL AND SALE PROCEEDS

The Group's strategy has been to realize profits with cash inflow from realization of its investment in CIL and to capture return at opportune times, subject to favorable prevailing share prices and market sentiment.

The book value of the 113,399,822 CIL Shares as at 31 December 2013 is HK\$227,933,642. Based on the closing price of HK\$2.24 per CIL Share as quoted on the Stock Exchange as at the Latest Practicable Date, the aggregate market value of the 113,399,822 CIL Shares is approximately HK\$254,015,601 and the expected gain on the Future Disposal is approximately HK\$29,710,753 (calculated from the average CIL closing share price five (5) trading days immediately prior to the Latest Practicable Date and before any advisory or placing expenses if all of the CIL Shares under the Disposal

LETTER FROM THE BOARD

Mandate are sold). However, the actual amount of the proceeds, accounting gain or loss and the effects on the net assets and earnings of the Group in relation to the Future Disposal would depend on the actual sale price(s) of the relevant CIL Shares and the actual number of the CIL Shares to be disposed of by the Company. The proceeds from the Future Disposal will be utilized as general working capital of the Group and to fund other suitable investment opportunities. As at the Latest Practicable Date, the Company has not identified any potential investment opportunity. The intended application of the proceeds before they are used includes bank deposits, debt securities and short-term investment with low risks. The Company will publish further announcement as and when appropriate pursuant to the Listing Rules.

The Directors consider that the Future Disposal and the Disposal Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Board (including the independent non-executive Directors) considers that the Future Disposal represents a good opportunity to enhance the cash flow position of the Group. The Board is also of the view that the Disposal Mandate will give flexibility to the Directors to dispose of the CIL Shares at the appropriate times and prices in order to maximize the return to the Group.

LISTING RULES IMPLICATIONS

The applicable percentage ratios (as defined in the Listing Rules) for the Future Disposal are more than 75% and therefore the Future Disposal constitutes a very substantial disposal of the Company and is subject to the announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Mandate and the grant of the Disposal Mandate. The aforesaid approvals shall be obtained by way of a poll.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Future Disposal and the Disposal Mandate. Accordingly, it is expected that no Shareholder is required to abstain from voting at the EGM.

GENERAL

Shareholders and investors should note that there is no assurance that the Company will proceed with the Future Disposal after obtaining the Disposal Mandate. The timing and whether the Company will proceed with the Future Disposal depends on a number of factors including the then prevailing market prices and market conditions. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

EGM

The Directors have resolved to convene the EGM to consider and, if thought fit, to approve the Future Disposal and the grant of the Disposal Mandate by the shareholders.

LETTER FROM THE BOARD

The notice of EGM is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person.

RECOMMENDATION

The Directors believe that the Future Disposal and the Disposal Mandate are fair and reasonable and are in the interest of the Company and the shareholders as a whole. Accordingly, the Board recommends the shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Future Disposal and the Disposal Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

FINANCIAL INFORMATION OF CIL

Set out below is the consolidated income statement, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of CIL for each of the three years ended 31 December 2011, 2012 and 2013, which were extracted from the annual reports 2012 and 2013 of CIL.

The financial information of CIL contained in this appendix appears for information purposes only. The Directors take no responsibility for the financial information of CIL, make 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 financial information of CIL contained in this appendix.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Turnover	3,205,985	2,768,171	2,243,754
Cost of sales and services	<u>(2,200,799)</u>	<u>(1,852,830)</u>	<u>(1,514,263)</u>
Gross profit	1,005,186	915,341	729,491
Other income, gains and losses	61,836	55,235	46,036
Selling and distribution costs	(175,369)	(160,692)	(148,706)
Administrative expenses	(512,223)	(454,761)	(309,278)
Research and development costs expensed	(52,156)	(57,055)	(45,989)
Allowance for doubtful debts	(24,613)	(15,807)	(17,417)
Amortisation of intangible assets and prepaid lease payments	(49,803)	(42,967)	(47,514)
Impairment loss recognised in respect of goodwill	–	(28,054)	(68,982)
Finance costs	(47,296)	(31,111)	(23,898)
Share of results of associates	(1,138)	2,030	2,618
Gain on disposal of associates	494	–	–
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	–	5,557	71,718
Loss arising from changes in fair value of redeemable convertible preferred shares	–	–	(37,287)
Loss on deemed disposal of associates	<u>–</u>	<u>–</u>	<u>(105)</u>
Profit before taxation	204,918	187,716	150,687
Income tax expense	<u>(4,890)</u>	<u>(37,574)</u>	<u>(29,611)</u>
Profit for the year	<u>200,028</u>	<u>150,142</u>	<u>121,076</u>

	For the year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– exchange differences arising on translation of foreign operations	(7,839)	(555)	(680)
– fair value gain on hedging instruments in cash flow hedge	649	–	–
Other comprehensive expense for the year, net of tax	<u>(7,190)</u>	<u>(555)</u>	<u>(680)</u>
Total comprehensive income for the year	<u>192,838</u>	<u>149,587</u>	<u>120,396</u>
Profit for the year attributable to:			
Owners of the Company	148,301	133,189	110,594
Non-controlling interests	51,727	16,953	10,482
	<u>200,028</u>	<u>150,142</u>	<u>121,076</u>
Total comprehensive income attributable to:			
Owners of the Company	141,116	132,638	109,918
Non-controlling interests	51,722	16,949	10,478
	<u>192,838</u>	<u>149,587</u>	<u>120,396</u>
Earnings per share			
Basic	<u>RMB0.0837</u>	<u>RMB0.0799</u>	<u>RMB0.0819</u>
Diluted	<u>RMB0.0824</u>	<u>RMB0.0774</u>	<u>RMB0.0756</u>

Consolidated Statement of Financial Position

	For the year ended 31 December		
	2013 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	174,186	132,853	131,456
Intangible assets	280,649	159,330	157,172
Goodwill	936,988	629,075	657,129
Interests in associates	13,519	27,616	25,551
Available-for-sale investment	25,000	25,000	25,000
Prepaid lease payments	41,482	42,477	469
Deposits paid for investment in an associate	14,850	–	–
Derivative financial instruments	649	–	–
Deferred tax assets	10,389	10,515	10,069
	<u>1,497,712</u>	<u>1,026,866</u>	<u>1,006,846</u>
Current assets			
Inventories	19,883	23,989	24,405
Trade and other receivables	1,146,646	1,039,396	760,648
Prepaid lease payments	1,009	1,038	178
Amounts due from associates	–	10,182	5,854
Amounts due from customers for contract work	1,060,869	561,359	363,683
Amounts due from related companies	814	205	394
Pledged deposits	5,201	4,468	12,571
Bank balances and cash	940,823	774,847	772,950
	<u>3,175,245</u>	<u>2,415,484</u>	<u>1,940,688</u>
Current liabilities			
Amounts due to customers for contract work	217,410	110,506	56,142
Trade and other payables	741,528	668,918	613,149
Bills payable	3,387	7,071	21,525
Amounts due to related companies	9,196	9,196	3,765
Dividend payable	73	75	75
Taxation payable	28,303	39,312	29,849
Borrowings	471,328	309,300	165,600
Convertible loan notes	–	199,087	–
	<u>1,471,225</u>	<u>1,343,465</u>	<u>890,105</u>
Net current assets	<u>1,704,020</u>	<u>1,072,019</u>	<u>1,050,583</u>
Total assets less current liabilities	<u><u>3,201,732</u></u>	<u><u>2,098,885</u></u>	<u><u>2,057,429</u></u>

	For the year ended 31 December		
	2013	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities	17,589	17,602	24,767
Consideration payable on acquisition of a subsidiary	35,636	–	5,557
Convertible loan notes	189,038	–	193,820
Borrowings	518,268	19,000	29,600
	<u>760,531</u>	<u>36,602</u>	<u>253,744</u>
	<u>2,441,201</u>	<u>2,062,283</u>	<u>1,803,685</u>
Capital and reserves			
Share capital	87,085	81,804	77,879
Share premium	1,667,181	1,466,006	1,392,651
Reserves	513,957	379,814	255,142
	<u>2,268,223</u>	<u>1,927,624</u>	<u>1,725,672</u>
Equity attributable to owners of the Company	2,268,223	1,927,624	1,725,672
Non-controlling interests	172,978	134,659	78,013
	<u>2,441,201</u>	<u>2,062,283</u>	<u>1,803,685</u>
Total equity	<u>2,441,201</u>	<u>2,062,283</u>	<u>1,803,685</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	77,879	1,392,651	-	(1,382)	78,222	15,167	15,793	26,749	12,153	108,440	1,725,672	78,013	1,803,685
Profit for the year	-	-	-	-	-	-	-	-	-	133,189	133,189	16,953	150,142
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences arising on translation of foreign operations	-	-	-	(551)	-	-	-	-	-	-	(551)	(4)	(555)
Total comprehensive income for the year	-	-	-	(551)	-	-	-	-	-	133,189	132,638	16,949	149,587
Capital contribution from a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Issue of ordinary shares upon exercise of share options	3,931	76,738	-	-	(19,510)	-	-	-	-	-	61,159	-	61,159
Recognition of share option expenses	-	-	-	-	11,544	-	-	-	-	-	11,544	-	11,544
Cancellation of share options	-	-	-	-	(498)	-	-	-	-	498	-	-	-
Shares repurchased and cancelled	(6)	(217)	-	-	-	-	-	-	-	-	(223)	-	(223)
Dividend payable to a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,176)	(1,176)
Acquisition of additional equity interests in subsidiaries	-	(3,166)	-	-	-	-	-	-	-	-	(3,166)	873	(2,293)
Appropriations	-	-	-	-	-	-	-	-	16,919	(16,919)	-	-	-
At 31 December 2012	81,804	1,466,006	-	(1,933)	69,758	15,167	15,793	26,749	29,072	225,208	1,927,624	134,659	2,062,283
Profit for the year	-	-	-	-	-	-	-	-	-	148,301	148,301	51,727	200,028
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences arising on translation of foreign operations	-	-	-	(7,834)	-	-	-	-	-	-	(7,834)	(5)	(7,839)
- Fair value gain on hedging instruments in cash flow hedge	-	-	649	-	-	-	-	-	-	-	649	-	649
Total comprehensive income for the year	-	-	649	(7,834)	-	-	-	-	-	148,301	141,116	51,722	192,838
Issue of ordinary shares upon acquisition of a business	2,573	69,372	-	-	-	-	-	-	-	-	71,945	-	71,945
Issue of ordinary shares upon exercise of share options	2,511	120,397	-	-	(27,569)	-	-	-	-	-	95,339	-	95,339
Recognition of share option expenses	-	-	-	-	5,372	-	-	-	-	-	5,372	-	5,372
Cancellation of share options	-	-	-	-	(8,748)	-	-	-	-	8,748	-	-	-
Dividend payable to a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
Issue of ordinary shares for acquisition of additional equity interests in subsidiaries	197	11,406	-	-	-	-	-	-	-	-	11,603	(12,803)	(1,200)
Extension of convertible loan notes	-	-	-	-	-	15,224	-	-	-	-	15,224	-	15,224
Appropriations	-	-	-	-	-	-	-	-	20,590	(20,590)	-	-	-
At 31 December 2013	87,085	1,667,181	649	(9,767)	38,813	30,391	15,793	26,749	49,662	361,667	2,268,223	172,978	2,441,201

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to the owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	61,133	807,664	(706)	80,480	36,522	15,793	15,136	7,661	12,765	1,036,448	65,555	1,102,003
Profit for the year	-	-	-	-	-	-	-	-	110,594	110,594	10,482	121,076
Other comprehensive income for the year												
- Exchange differences arising on translation of foreign operations	-	-	(676)	-	-	-	-	-	-	(676)	(4)	(680)
Total comprehensive income for the year	-	-	(676)	-	-	-	-	-	110,594	109,918	10,478	120,396
Issue of ordinary shares upon subscription	6,237	225,211	-	-	-	-	-	-	-	231,448	-	231,448
Issue of ordinary shares upon partial conversion of redeemable convertible preferred shares	6,628	264,711	-	-	-	-	-	-	-	271,339	-	271,339
Reclassification to liability component	-	-	-	-	(21,355)	-	-	-	-	(21,355)	-	(21,355)
Capital contribution from a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,980	1,980
Issue of ordinary shares upon exercise of share options	3,881	95,065	-	(25,933)	-	-	-	-	-	73,013	-	73,013
Recognition of share option expenses	-	-	-	24,861	-	-	-	-	-	24,861	-	24,861
Cancellation of share options	-	-	-	(1,186)	-	-	-	-	1,186	-	-	-
Appropriations	-	-	-	-	-	-	11,613	4,492	(16,105)	-	-	-
At 31 December 2011	77,879	1,392,651	(1,382)	78,222	15,167	15,793	26,749	12,153	108,440	1,725,672	78,013	1,803,685
Profit for the year	-	-	-	-	-	-	-	-	133,189	133,189	16,953	150,142
Other comprehensive income for the year												
- Exchange differences arising on translation of foreign operations	-	-	(551)	-	-	-	-	-	-	(551)	(4)	(555)
Total comprehensive income for the year	-	-	(551)	-	-	-	-	-	133,189	132,638	16,949	149,587
Capital contribution from a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Issue of ordinary shares upon exercise of share options	3,931	76,738	-	(19,510)	-	-	-	-	-	61,159	-	61,159
Recognition of share option expenses	-	-	-	11,544	-	-	-	-	-	11,544	-	11,544
Cancellation of share options	-	-	-	(498)	-	-	-	-	498	-	-	-
Shares repurchased and cancelled	(6)	(217)	-	-	-	-	-	-	-	(223)	-	(223)
Dividend payable to a non-controlling owner of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,176)	(1,176)
Acquisition of additional equity interests in subsidiaries	-	(3,166)	-	-	-	-	-	-	-	(3,166)	873	(2,293)
Appropriations	-	-	-	-	-	-	-	16,919	(16,919)	-	-	-
At 31 December 2012	81,804	1,466,006	(1,933)	69,758	15,167	15,793	26,749	29,072	225,208	1,927,624	134,659	2,062,283

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserves RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated profits RMB'000	Total RMB'000	Attributable to the non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	52,357	519,389	(1,891)	64,714	-	15,793	12,978	4,121	58,596	726,057	50,957	777,014
Loss for the year	-	-	-	-	-	-	-	-	(40,133)	(40,133)	10,397	(29,736)
Other comprehensive income for the year												
- Exchange differences arising on translation of foreign operations	-	-	1,185	-	-	-	-	-	-	1,185	12	1,197
Total comprehensive income for the year	-	-	1,185	-	-	-	-	-	(40,133)	(38,948)	10,409	(28,539)
Issue of ordinary shares upon partial conversion of redeemable convertible preferred shares	1,319	43,032	-	-	-	-	-	-	-	44,351	-	44,351
Acquisition of businesses	5,140	194,861	-	-	-	-	-	-	-	200,001	2,940	202,941
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,249	1,249
Issue of ordinary shares upon exercise of share options	2,317	50,382	-	(11,903)	-	-	-	-	-	40,796	-	40,796
Recognition of equity-settled share-based payments	-	-	-	27,669	-	-	-	-	-	27,669	-	27,669
Recognition of equity component of convertible loan notes	-	-	-	-	36,522	-	-	-	-	36,522	-	36,522
Appropriations	-	-	-	-	-	-	2,158	3,540	(5,698)	-	-	-
At 31 December 2010	61,133	807,664	(706)	80,480	36,522	15,793	15,136	7,661	12,765	1,036,448	65,555	1,102,003
Profit for the year	-	-	-	-	-	-	-	-	110,594	110,594	10,482	121,076
Other comprehensive income for the year												
- Exchange differences arising on translation of foreign operations	-	-	(676)	-	-	-	-	-	-	(676)	(4)	(680)
Total comprehensive income for the year	-	-	(676)	-	-	-	-	-	110,594	109,918	10,478	120,396
Issue of ordinary shares upon subscription	6,237	225,211	-	-	-	-	-	-	-	231,448	-	231,448
Issue of ordinary shares upon partial conversion of redeemable convertible preferred shares	6,628	264,711	-	-	-	-	-	-	-	271,339	-	271,339
Reclassification to liability component	-	-	-	-	(21,355)	-	-	-	-	(21,355)	-	(21,355)
Capital contribution from non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,980	1,980
Issue of ordinary shares upon exercise of share options	3,881	95,065	-	(25,933)	-	-	-	-	-	73,013	-	73,013
Recognition of equity-settled share-based payments	-	-	-	24,861	-	-	-	-	-	24,861	-	24,861
Cancellation of share options	-	-	-	(1,186)	-	-	-	-	1,186	-	-	-
Appropriations	-	-	-	-	-	-	11,613	4,492	(16,105)	-	-	-
At 31 December 2011	77,879	1,392,651	(1,382)	78,222	15,167	15,793	26,749	12,153	108,440	1,725,672	78,013	1,803,685

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Operating activities			
Profit before taxation	204,918	187,716	150,687
Adjustments for:			
Depreciation of property, plant and equipment	52,562	46,577	39,047
Amortisation of intangible assets and prepaid lease payments	49,803	42,967	47,514
Finance costs	47,296	31,111	23,898
Allowance for doubtful debts	24,613	15,807	17,417
Share option expenses	5,372	11,544	24,861
Interest income	(1,958)	(3,326)	(3,802)
Share of results of associates	1,138	(2,030)	(2,618)
Loss on disposal of property, plant and equipment	1,114	137	573
Impairment loss recognised in respect of goodwill	–	28,054	68,982
Gain on disposal of associates	(494)	–	–
Loss on deemed disposal of associates	–	–	105
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	–	(5,557)	(71,718)
Loss arising from changes in fair value of redeemable convertible preferred shares	–	–	37,287
Net foreign exchange gain	–	–	(12,589)
Operating cash flows before movements in working capital	384,364	353,000	319,644
Increase in trade and other receivables	(78,908)	(294,161)	(220,905)
Increase in amounts due to customers for contract work	106,904	54,364	–
Decrease in amounts due to customers for contract work	–	–	(1,924)
Increase in amounts due from customers for contract work	(490,881)	(197,676)	(112,405)
Increase in trade and other payables	36,886	55,769	150,556
Increase in inventories	–	–	(5,964)
Decrease in inventories	4,106	416	–
Increase in bills payable	–	–	15,312
Decrease in bills payable	(3,684)	(14,454)	–

	For the year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Cash used in operations	(41,213)	(42,742)	144,314
Income taxes paid	(32,371)	(40,186)	(27,056)
Taxation refunded	12,546	4,562	3,463
	<u>(61,038)</u>	<u>(78,366)</u>	<u>120,721</u>
Net cash used in operating activities			
Investing activities			
Acquisition of a subsidiary	(226,887)	–	–
Acquisition of a business	(90,000)	–	–
Purchases of property, plant and equipment	(80,663)	(50,145)	(63,110)
Development costs paid	(59,689)	(41,619)	(19,489)
Purchase of software	(17,356)	(3,351)	(3,725)
Deposit paid for investment in an associate	(14,850)	–	–
Placement of pledged deposits	(12,165)	(21,929)	(3,745)
Advance to related companies	(609)	(205)	20
Proceeds from disposal of associates	13,453	–	–
Repayments from (advances to) associates	10,182	(4,323)	(3,429)
Withdrawal of pledged deposits	11,432	30,032	–
Proceeds from disposal of property, plant and equipment	2,466	1,950	809
Interest received	1,958	3,326	3,802
Payments in connection with a land use right	–	(43,023)	–
Investments in associates	–	(35)	(1,280)
Acquisition of available-for-sale investment	–	–	(25,000)
	<u>(462,728)</u>	<u>(129,322)</u>	<u>(115,147)</u>
Net cash used in investing activities			

	For the year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Financing activities			
New bank loans raised	1,059,558	284,300	217,200
Proceeds from issue of shares	–	–	231,448
Proceeds from exercise of share options	95,339	61,159	73,013
Repayment of borrowings	(413,504)	(151,200)	(208,950)
Repayment to related companies	–	–	(144)
Interest paid	(33,523)	(17,344)	(11,232)
Interest paid on convertible loan notes	(8,500)	(8,500)	(5,310)
Interest paid in redeemable convertible preferred shares	–	–	(6,008)
Acquisition of additional equity interest in subsidiaries	(1,200)	(2,293)	–
Dividend paid to non-controlling	(600)	–	–
Capital contribution from a non-controlling owner of a subsidiary	–	40,000	1,980
Advance from a related company	–	4,255	3,762
Payment on repurchase of shares	–	(223)	–
Deferred payments for acquisition of business	–	–	(11,985)
Net cash generated from financing activities	<u>697,570</u>	<u>210,154</u>	<u>283,774</u>
Net increase in cash and cash equivalents	173,804	2,466	289,348
Cash and cash equivalents at beginning of the year	774,847	772,950	484,172
Effect of foreign exchange rate changes	<u>(7,828)</u>	<u>(569)</u>	<u>(570)</u>
Cash and cash equivalents at end of the year, representing bank balances and cash	<u><u>940,823</u></u>	<u><u>774,847</u></u>	<u><u>772,950</u></u>



**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Far East Holdings International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2013, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, the pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages 4 to 10 of Appendix II to the circular issued by the Company dated 30 June 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 4 to 10 of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed future disposal of shares of Chinasoft International Limited (Stock Code: 354) ("Chinasoft") (the "Future Disposal") on the Group's financial position as at 31 December 2013 and its financial performance and cash flows for the year ended 31 December 2013 as if the transaction had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) that basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 June 2014

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER
THE COMPLETION OF FUTURE DISPOSAL**

The following are the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2013, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2013 and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2013 which have been prepared based on the consolidated financial statements of the Group for the year ended 31 December 2013 extracted from the published annual report of the Company of the same period, and adjusted for the effects of the Future Disposal to illustrate how the Future Disposal might have affected the financial position, financial performance and cash flows of the Group as if the Future Disposal had taken place.

A narrative description of the pro forma adjustments of the Future Disposal that are (i) directly attributable to the Future Disposal and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Remaining Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma financial information of the Remaining Group does not purport to describe the actual financial position, results and cash flows of the Group that would have been attained had the Future Disposal been completed at 31 December 2013 or 1 January 2013.

The unaudited pro forma financial information of the Remaining Group has been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Future Disposal actually occurred at 1 January 2013 or for any future period, nor the financial position of the Remaining Group had the Future Disposal actually occurred at 31 December 2013 or any future dates.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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1.1 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 31.12.2013 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma Adjustment 1 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma Adjustment 2 <i>HK\$'000</i> <i>(Note 6)</i>	The Remaining Group as at 31.12.2013 <i>HK\$'000</i>
Non-current assets				
Investment properties	10,140			10,140
Property plant and equipment	7,817			7,817
Prepaid lease payments	765			765
Available-for-sale investments	274,896	(227,934)		46,962
	293,618			65,684
Current Assets				
Prepaid lease payments	28			28
Held-for-trading investments	12,262			12,262
Inventories	3,255			3,255
Trade and other receivables	2,353			2,353
Amount due from a non-controlling interest	1,158			1,158
Amount due from a related party	9			9
Tax recoverable	10			10
Deposits held at financial institutions	20,201			20,201
Pledged bank deposits	6			6
Bank balances and cash	85,241	199,817	(1,110)	283,948
	124,523			323,230
Assets classified as held for sale	47,850			47,850
	172,373			371,080
Current liabilities				
Trade and other payables	(1,796)			(1,796)
Amounts due to related parties	(45)			(45)
	(1,841)			(1,841)
Net current assets	170,532			369,239
Total assets less current liabilities	464,150			434,923
CAPITAL AND RESERVES				
Share capital	4,543			4,543
Share premium and reserves	442,582	(28,117)	(1,110)	413,355
Equity attributable to owners of the Company	447,125			417,898
Non-controlling interests	17,025			17,025
	464,150			434,923

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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1.2 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31.12.2013 HK\$'000 (Note 1)	Adjustment 1 HK\$'000 (Note 3)	Adjustment 2 HK\$'000 (Note 4)	Adjustment 3 HK\$'000 (Note 5)	Adjustment 4 HK\$'000 (Note 6)	The Remaining Group for the year ended 31.12.2013 HK\$'000
Continuing operations						
Revenue	15,931					15,931
Cost of sales	(14,570)					(14,570)
Gross profit	1,361					1,361
Dividend income from available-for-sale investments	311					311
Dividend income from held-for-trading investments	253					253
Other income	1,166					1,166
Other gains and losses	6,768	(3,169)	(18,144)			(14,545)
Selling and distribution costs	(129)					(129)
Administrative expenses	(22,620)				(1,110)	(23,730)
Finance costs	(38)					(38)
(Loss) profit before tax	(12,928)	(3,169)	(18,144)		(1,110)	(35,351)
Income tax expense	-					-
(Loss) profit for the year from continuing operations	(12,928)	(3,169)	(18,144)	-	(1,110)	(35,351)
Discontinued operations						
Share of results from discontinued operations	1,501					1,501
(Loss) profit for the year	(11,427)	(3,169)	(18,144)	-	(1,110)	(33,850)
Other comprehensive income (expense)						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences arising from the translation of foreign operations	1,090					1,090
Reclassification adjustment upon disposal of available-for-sales investments			18,144			18,144
Fair value gain on available-for-sale investments	54,933			(24,948)		29,985
Share of exchange difference of a joint venture	1,430					1,430
Other comprehensive income (expense) for the year	57,453	-	18,144	(24,948)	-	50,649
Total comprehensive income (expense) for the year	46,026	(3,169)	-	(24,948)	(1,110)	16,799

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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	The Group for the year ended 31.12.2013 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment 1 <i>HK\$'000</i> <i>(Note 3)</i>	Adjustment 2 <i>HK\$'000</i> <i>(Note 4)</i>	Adjustment 3 <i>HK\$'000</i> <i>(Note 5)</i>	Adjustment 4 <i>HK\$'000</i> <i>(Note 6)</i>	The Remaining Group for the year ended 31.12.2013 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company						
- from continuing operations	(12,513)	(3,169)	(18,144)	-	(1,110)	(34,936)
- from discontinued operations	1,501			-		1,501
	(11,012)	(3,169)	(18,144)	-	(1,110)	(33,435)
Loss for the year attributable to non-controlling interests						
- from continuing operations	(415)			-		(415)
- from discontinued operations	-					-
	(415)	-	-	-	-	(415)
	(11,427)	(3,169)	(18,144)	-	(1,110)	(33,850)
Total comprehensive income (expense) attributable to:						
Owners of the Company	45,907	(3,169)		(24,948)	(1,110)	16,680
Non-controlling interests	119			-		119
	46,026	(3,169)	-	(24,948)	(1,110)	16,799

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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1.3 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31.12.2013 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment 1 <i>HK\$'000</i> <i>(Note 3)</i>	Adjustment 2 <i>HK\$'000</i> <i>(Note 4)</i>	Adjustment 3 <i>HK\$'000</i> <i>(Note 6)</i>	The Remaining Group for the year ended 31.12.2013 <i>HK\$'000</i>
OPERATING ACTIVITIES					
Loss before tax	(11,427)	(3,169)	(18,144)	(1,110)	(33,850)
Adjustments for:					
Amortisation of prepaid lease payments	105				105
Share-based payment expense	4,004				4,004
Unrealised loss in held-for-trading investments	56				56
Depreciation of property, plant and equipment	1,442				1,442
Finance costs	38				38
(Gain) loss on disposal of available-for-sale investments	(300)	3,169	18,144		21,013
Gain on disposal of property, plant and equipment	(251)				(251)
Gain on deregistration of subsidiaries	(8)				(8)
Increase in fair value of investment properties	(1,885)				(1,885)
Interest income from banks and financial institutions	(682)				(682)
Scrip dividend received from available-for-sale investments	(11)				(11)
Share of results of a joint venture	(1,501)				(1,501)
	<u>(11,427)</u>				<u>(33,850)</u>
Operating cash flows before movements in working capital	(10,420)				(11,530)
Increase in inventories	(542)				(542)
Increase in held-for-trading investments	(1,776)				(1,776)
Decrease in trade and other receivables	816				816
Decrease in amount due from a non-controlling interest	2,564				2,564
Decrease in trade and other payables	(312)				(312)
	<u>(9,670)</u>				<u>(10,780)</u>
Cash used in operations	(9,670)				(10,780)
PRC Enterprise Income tax refund	99				99
	<u>99</u>				<u>99</u>

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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	The Group for the year ended 31.12.2013 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment 1 <i>HK\$'000</i> <i>(Note 3)</i>	Adjustment 2 <i>HK\$'000</i> <i>(Note 4)</i>	Adjustment 3 <i>HK\$'000</i> <i>(Note 6)</i>	The Remaining Group for the year ended 31.12.2013 <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(9,571)				(10,681)
INVESTING ACTIVITIES					
Interest received	682				682
Acquisition of property, plant and equipment	(2,103)				(2,103)
Acquisition of available-for-sale investments	(10,123)				(10,123)
Proceeds from disposal of available-for-sale investments	2,800	199,817			202,617
Proceeds from disposal of property, plant and equipment	938				938
Placement of pledged bank deposits	(3)				(3)
Withdrawal of pledged bank deposits	2				2
Placement of deposits held at financial institutions	(78,848)				(78,848)
Withdrawal of deposits held at financial institutions	91,389				91,389
	<u>4,734</u>				<u>204,551</u>
NET CASH FROM INVESTING ACTIVITIES					
FINANCING ACTIVITIES					
Proceeds from issues of shares upon Open Offer	30,285				30,285
Transaction costs paid upon Open Offer	(2,377)				(2,377)
Repayment of related parties	(1,106)				(1,106)
Repayment of obligations under finance leases	(674)				(674)
Interest paid on finance leases	(25)				(25)
Interest paid on bank borrowing	(13)				(13)
	<u>26,090</u>				<u>26,090</u>
NET CASH FROM FINANCING ACTIVITIES					
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,253				219,960
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	63,257				63,257
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	731				731
	<u>85,241</u>				<u>283,948</u>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by bank balances and cash	<u>85,241</u>				<u>283,948</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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Notes:

1. The financial information of the Group for the year ended 31 December 2013 is extracted from the consolidated financial statements of the Group for the year ended 31 December 2013 contained in the published annual report of the Company of the same period.
2. The adjustment reflects the derecognition of CIL Shares classified as available-for-sale investments with carrying amount of HK\$227,934,000 at 31 December 2013 assuming the Future Disposal had taken place on 31 December 2013. The estimated net cash proceeds from the Future Disposal of approximately HK\$199,817,000 is calculated by deducting the estimated related expenses of approximately HK\$4,303,000 from the estimated gross cash proceeds of approximately HK\$204,120,000 assuming the sale price is HK\$1.80 per CIL Share. The estimated related expenses of approximately HK\$4,303,000 in connection with the Future Disposal are arrived at based on the latest quotations from various working parties. The sale price of HK\$1.80 per CIL Share is determined assuming the CIL Shares are sold at the minimum sale price pursuant to the Disposal Mandate (the "Minimum Sale Price"). The adjustment to share premium and reserves line item of HK\$28,117,000 represents the combined effects after taking into account (i) difference between the carrying amount of the CIL Shares of approximately HK\$227,934,000 as at 31 December 2013 and the estimated gross cash proceeds of approximately HK\$204,120,000 and (ii) estimated related expenses for the Future Disposal of the CIL Shares of approximately HK\$4,303,000. The final amount of proceeds from the Future Disposal would be subject to the prevailing market price of the CIL Shares and the discount offered in the cases of block trades for setting sale price at the actual date of Future Disposal, which may be different from that at 31 December 2013.
3. The adjustment reflects the estimated loss (before reclassification of investment revaluation reserve to profit or loss set out in note 4 below) of approximately HK\$3,169,000 resulting from the disposal of the CIL Shares, assuming that the Future Disposal had taken place on 1 January 2013 and the sale price is HK\$1.80 per CIL Share. For the purpose of the unaudited pro forma consolidated statements of profit or loss and other comprehensive income and cash flows, the sale price of HK\$1.80 per CIL Share is determined by the Directors assuming the CIL Shares are sold at the Minimum Sale Price of HK\$1.80 per CIL Share. It should be noted that the market price per CIL Share as at 1 January 2013 was HK\$1.79, which was lower than the Minimum Sale Price. It is assumed, for the purpose of this unaudited pro forma financial information, that the Group is able to sell the CIL Shares on 1 January 2013 at HK\$1.80 per CIL Share, even though this assumed price is higher than the market price of the CIL Shares at that date. The adjustment to other gains and losses line item of approximately HK\$3,169,000 is calculated taking into account (i) the carrying amount of the CIL Shares of approximately HK\$202,986,000 as at 1 January 2013; (ii) the estimated gross cash proceeds of approximately HK\$204,120,000, net of estimated related expenses for the disposal of the CIL Shares of approximately HK\$4,303,000. The final amount of proceeds from the Future Disposal would be subject to the prevailing market price of the CIL Shares and the discount offered in the cases of block trades for setting sale price at the actual date of Future Disposal, which may be different from that at 1 January 2013. As a result, the gain or loss on Future Disposal of the CIL Shares may be different from the amount described in this unaudited pro forma financial information.
4. The adjustment reflects the reclassification of the cumulative loss previously accumulated in the investment revaluation reserve to profit or loss of HK\$18,144,000 relating to the CIL Shares as part of loss of disposal of CIL Shares assuming that the Future Disposal had taken place on 1 January 2013.
5. The adjustment reflects the reversal of fair value gain of CIL Shares previously recognised in other comprehensive income of the Group during the year ended 31 December 2013 had the Future Disposal been in place on 1 January 2013.
6. The adjustment reflects the legal and professional fees incurred for the preparation of the Disposal Mandate.

FINANCIAL INFORMATION

Financial information of the Group for each of the years ended 31 December 2011, 2012 and 2013 is disclosed in the audited financial statements of the Company which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.feholdings.com.hk>) respectively.

INDEBTEDNESS STATEMENT

At the close of business on 31 May 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding at that date a short term bank loan of approximately HK\$54,551,507 which was secured against a first legal charge with rental assignment on the Group's properties, amounts due to directors of approximately HK\$783,334 and amount due to one member of the Chiu Family (who is also a Shareholder) of approximately HK\$2,288,792.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 May 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operations and the available financing facilities, the capital commitments on Uncompleted Property held by the Group and cash flow impact of the Disposal, the Group will have sufficient working capital for its business for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company have been made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's strategy is to realize profits from its investment in CIL and to capture return at opportune times, subject to favorable prevailing share prices and market sentiment. The Directors consider that the Future Disposal represents a good opportunity to enhance the cash flow position of the Group. The Board is also of the view that the Disposal Mandate will give flexibility to the Directors to dispose of the CIL Shares at the appropriate times and prices in order to maximize the return to the Group.

Garment Industries – Jiangsu BangBag-Silky Fashion Manufacturer Co., Ltd. (“JBB”)

In the garment industry, JBB continues to face market pressures. Pricing pressure continues to push down the total revenue and margin. Efforts were made to export and reduce total costs. JBB will continue to explore better strategies but the management expects JBB to face similar challenges in the near future.

Property Investment

On the other hand, the Company is actively trying to increase holdings of properties that can provide stable income while capturing long term opportunities. Geographically, the PRC and Hong Kong properties still provide very good opportunities. Other areas such as the United States of America and Japan are also within the Company’s interest.

Looking forward, as an investment holdings company, the Group will keep identifying opportunities in a broad range of regions and sectors, including technologies and properties. The Group will continue to provide unique investment insight and value-oriented strategies utilizing our extensive network and expertise in key sectors with an emphasis in China.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF THE REMAINING GROUP

The Remaining Group is principally engaged in the business of manufacturing and sales of garment products, property investment and securities investment. Company’s mission is to realize the potential of our portfolio of companies as well as their management teams and employees in order to generate superior returns for our Shareholders, while minimizing the risk of capital loss through all stages of the business cycle.

For the year ended 31 December 2013**Financial Review***Results of operations*

For the year ended 31 December 2013, the Remaining Group recorded revenue from operations of approximately HK\$15.93 million. The Remaining Group’s loss attributable to owners of the Company was approximately HK\$33.44 million. The total comprehensive income of the Remaining Group for the year ended 31 December 2013 was approximately HK\$16.80 million after the reversal of fair value gain of CIL shares previously recognized in other comprehensive income of the Group and the related expense for the preparation of the Disposal Mandate.

Liquidity and financial resources

As at 31 December 2013, the Remaining Group had cash and bank balances and deposits held at financial institutions amounting to HK\$304.16 million. Fundamentally, the Remaining Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31 December 2013, the Remaining Group had no bank and other loans. The Remaining Group did not have any financial instruments used for hedging purpose for the year ended 31 December 2013.

Gearing ratio

As the Remaining Group was in net cash position during the year ended 31 December 2013, no gearing ratio information was presented.

Current ratio

The Remaining Group's current ratio (current assets to current liabilities) as at 31 December 2013 is 201.6. On the whole, the financial position and liquidity of the Remaining Group were healthy.

Capital structure

An open offer was completed and a total of 151,418,943 offer shares were issued on 31 January 2013. As a result, the total number of issued ordinary shares of the Company increased to 454,256,829 shares. As at 31 December 2013, the total number of issued ordinary shares of the Company was 454,256,829 shares.

Exposure to currency fluctuation

The Remaining Group had no significant exposure to foreign exchange fluctuation for the year ended 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Remaining Group do not have significant contingent liabilities.

Capital Commitments

As at 31 December 2013, the Remaining Group had no significant capital commitments.

Pledge of assets

As at 31 December 2013, no assets of the Remaining Group were pledged.

Material acquisitions and disposals of subsidiaries and associated companies

On 24th May 2013, the Remaining Company disposed of approximately 18.10% of the entire issued share capital of Market Talent Limited (“**Market Talent**”) to Mr. Chu Kar Cheong, who holds approximately 81.90% of the entire issued share capital of Market Talent, at a cash consideration of HK\$2,800,000. The Remaining Group recognised an impairment loss of HK\$14,500,000 on the investment in Market Talent during the year ended 31 December 2012 and its carrying value was HK\$2,500,000 as at 31st December 2012. The Board considered that it was appropriate to exit this investment and to receive a residual value as general working capital of the Remaining Group.

On 30 September 2013, Jubilee Star Limited, an indirect wholly-owned subsidiary of the Company disposed of approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd.*) (“**Beijing Kailan**”) to 中國航空器材集團公司 (China Aviation Supplies Holding Company*) (“**China Aviation**”), which holds approximately 79.98% of the equity interest in Beijing Kailan, at a consideration of RMB40.50 million (equivalent to approximately HK\$51.33 million). All conditions precedents were fulfilled on 24 February 2014. Registration of the change of business has been completed and a new business licence was obtained on 17 March 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from China Aviation.

On 27 November 2013, the Company entered into the cornerstone investor agreement with China Binary Sale Technology Limited (“**China Binary**”) and the bookrunner, pursuant to which the Company has agreed to acquire the shares of China Binary up to an aggregate value of HK\$10 million. The cornerstone investment was completed and China Binary was listed on the Growth Enterprise Market of the Stock Exchange successfully on 4 December 2013. A substantial fair value gain on the investment in China Binary was recorded on the consolidated financial statements of the Company for the year ended 31 December 2013.

Employees and remuneration policies

At 31 December 2013 the Remaining Group had approximately 229 employees in Hong Kong and the PRC. The Remaining Group offers its employees competitive remuneration packages based on industry’s practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Remaining Group adopted a share option scheme on 23 May 2005 and discretionary share options would be granted to reward and motivate those well-performed employees. There were a total of 19.77 million share options outstanding under the share option scheme as at 31 December 2013. Following the completion of the open offer on 31 January 2013, the exercise price and the number of the share options granted on 21 April 2006 were adjusted pursuant to the terms of the share option to HK\$0.5032 per Share and 1.6 million share options respectively. 18,170,270 share options was granted on 16 April 2013 at the exercise price of HK\$0.27 per Share.

For the year ended 31 December 2012

Financial Review

Results of operations

For the year ended 31 December 2012, the Group recorded revenue from operations of approximately HK\$17.05 million. The Group's loss attributable to owners of the Company was approximately HK\$18.98 million. The Board considers the loss is mainly contributed by HK\$14.5 million impairment loss on available-for-sale investments. The loss per share for the year ended 31 December 2012 was 5.57 HK cents.

Liquidity and financial resources

As at 31 December 2012, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$96.0 million. Fundamentally, the Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31 December 2012, the Group had no bank and other loans. The Group did not have any financial instruments used for hedging purpose during the year.

Gearing ratio

As the Group was in net cash position during the year ended 31 December 2012, no gearing ratio information was presented.

Current ratio

The Group's current ratio (current assets to current liabilities) as at 31 December 2012 is 33.2. On the whole, the financial position and liquidity of the Group were healthy.

Capital structure

During the year ended 31 December 2012, there was no change to the share capital of the Company. As at 31 December 2012, the total number of issued ordinary shares of the Company was 302,837,886 shares.

Exposure on foreign exchange fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the year ended 31 December 2012.

Contingent liabilities

As at 31 December 2012, the Group and the Company do not have significant contingent liabilities.

Capital commitments

At 31 December 2012, the Group had no significant capital commitments.

Pledge of assets

As at 31 December 2012, no assets of the Group were pledged.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 13 July 2012, the Company entered into a transaction in relation to the disposal of the entire issued share capital of Cathay Motion Picture Studios Limited (“**Cathay Motion**”) and assigned a receivable due from Cathay Motion to the Company to a related party of the Group, Far East Consortium Limited (“**FEC**”), a wholly-owned subsidiary of Far East Consortium International Limited (“**FECIL**”) (Stock Code: 35) which is listed on the Main Board of the Stock Exchange, at an aggregate cash consideration of HK\$8,500,000. The major asset of Cathay Motion is an investment property located in Hong Kong with fair value of HK\$8,500,000 as at 30 June 2012. The disposal resulted in a gain of approximately HK\$3,000. The Board considered that the disposal would provide the Company with a positive cashflow and intended to apply the proceeds in connection with the disposal as general working capital of the Company. The transaction completed on 18 July 2012.

As the family interests of Deacon Te Ken Chiu J.P. (“**Deacon Chiu, J.P.**”), an Executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of FECIL, which in turn owns the entire issued share capital of FEC, which is an associate of Deacon Chiu, J.P. and accordingly a connected person of the Company under the Listing Rules. The disposal therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Deacon Chiu, J.P. and Mr. Derek Chiu, both are Executive Directors of the Company, and Mr. Desmond Chiu, a Non-Executive Director of the Company, were considered to be interested in the disposal of Cathay Motion. Except for the above-mentioned transactions, no other related party transaction as mentioned in the financial statement constitutes a connected transaction or a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Company also confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Employees and remuneration policies

At 31 December 2012, the Group had approximately 210 employees in Hong Kong and the PRC. The Group offers its employees competitive remuneration packages based on industry’s practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company adopted a share option scheme on 23 May 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 1.32 million share options outstanding under the share option scheme as at 31 December 2012.

For the year ended 31 December 2011

Financial Review

Results of operations

For the year ended 31 December 2011, the Group recorded revenue from operations of approximately HK\$21.64 million. The Group's profit attributable to owners of the Company was approximately HK\$2.49 million. The Board considers the decline in profit was mainly attributable to the lack of an extraordinary gain during the year as the Company recognized an one-off gain from deemed disposal of an associate amounted to approximately HK\$188 million during the year ended 31st December, 2010. The earnings per share for the year ended 31st December, 2011 was 0.82 HK cents.

Liquidity and financial resources

As at 31 December 2011, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$73.6 million. Fundamentally, the Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31 December 2011, the Group had no bank and other loans. The Group's borrowings in 2010 were denominated in Hong Kong dollar, RMB and Japanese Yen. Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing ratio

As the Group was in net cash position during the year ended 31 December 2011, no gearing ratio information was presented.

Current ratio

The Group's current ratio (current assets to current liabilities) as at 31 December 2011 is 23.6. On the whole, the financial position and liquidity of the Group were healthy.

Capital structure

During the year ended 31 December 2011, there was no change to the share capital of the Company. As at 31 December 2011, the total number of issued ordinary shares of the Company was 302,837,886 shares.

Exposure to foreign exchange fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the year ended 31 December 2011.

Contingent Liabilities

As at 31 December 2011, the Group and the Company do not have significant contingent liabilities.

Capital Commitments

At 31 December 2011, the Group had no significant capital commitments.

Pledge of assets

As at 31 December 2011, no assets of the Group were pledged.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 20 May 2011, the Company, Market Talent Limited ("**Market Talent**") and Mr. Chu Kar Cheong ("**Mr. Chu**"), the guarantor for the performance by Market Talent under the sale and purchase and subscription agreement dated 20th May, 2011 (the "**Agreement**"), entered into the Agreement to sell and Market Talent to purchase 100% of HomeBase Media Group Limited and its subsidiaries ("**HomeBase Group**") and the sale loan of HK\$96.4 million at an aggregate consideration of HK\$8,000,000 by allotment and issue of Market Talent (the "**Disposal**"). Mr. Chu is also the ultimate beneficial owner of the entire issued share capital of Market Talent and AMX Asia Limited ("**AMX Asia**"). In addition, the Company subscribed for Market Talent at a consideration of HK\$9,000,000 (the "**Subscription**"). After the Disposal and the Subscription, the Company, through Market Talent, indirectly holds 18.1% of the interests in HomeBase Group and AMX Asia, and investment in Market Talent is an available-for-sale investment of the Group. HomeBase Group has been suffering from loss from its operation, but AMX Asia has a solid online video platform and customers. The Company believes that this partnership will allow Market Talent to leverage and create synergy in order to improve the overall financial performance.

On 26 May 2011, the Company and Keen Insight Limited entered into the agreement, pursuant to which Keen Insight Limited has conditionally agreed to acquire and the Company has conditionally agreed to dispose of 25,000,000 ordinary shares of HK\$0.05 each in CIL represent 1.97% of the entire issued share capital of CIL at HK\$46,500,000, or HK\$1.86 per sale share. The Company considers that the disposal is an opportunity for the Company to realize its investment in CIL and to reutilize the proceeds towards other appropriate investment opportunities for better return to the shareholders of the Company (the "**Shareholders**").

On 13 December 2011, Power Profit Far East Limited, a wholly-owned subsidiary of the Company and being one of the selling shareholders of First Credit Holdings Limited ("**First Credit**"), offered an aggregate of 53,033,479 shares for listing of First Credit on the Growth Enterprise Market of the Stock Exchange representing approximately 6.63% of the issued share capital of First Credit at HK\$0.30 per share.

Employees and remuneration policies

At 31 December 2011, the Group had approximately 230 employees in Hong Kong and the PRC. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Yearend discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23 May 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 1.32 million share options outstanding under the share option scheme as at 31 December 2011.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Consideration Shares will be, as follows:

HK\$

Authorised share capital:

<u>70,000,000,000</u>	Shares	<u>700,000,000</u>
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Issued and fully paid or credited as fully paid:

<u>516,845,064</u>	Shares as at the Latest Practicable Date	<u>5,168,450</u>
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The nominal value of the Shares is HK\$0.01 each. All the existing Shares rank pari passu in all respects including all rights as to dividend, voting and capital.

Particulars of the Outstanding Share Options as at the Latest Practicable Date are as follows:

Capacity of grantee	Grant date	Exercise price <i>HK\$</i>	Exercisable period (both days inclusive)	Outstanding as at the Latest Practicable Date
Directors	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	14,990,473
Employees	21.4.2006	0.5032	23rd May, 2006 to 22nd May, 2016	798,864
	21.4.2006	0.5032	23rd May, 2007 to 22nd May, 2017	798,864
	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	3,179,797
				19,767,998

Save as disclosed above, the Company did not have any other options, warrants, derivatives and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares:

Name of Director	Number of Shares				Equity derivatives (share options) ⁽³⁾	Total	Approximate percentage of the issued share capital of the Company ⁽⁴⁾
	Personal interests	Family interests	Corporate interests				
Deacon Te Ken Chiu, J.P. (“Deacon Chiu, J.P.”)	20,848,664	4,175,160 ⁽¹⁾	1,869,366 ⁽²⁾	—	26,893,190	5.203%	
Mr. Derek Chiu	88,440	—	—	3,179,797	3,268,237	0.632%	
Mr. Richard Yen (“Mr. Yen”)	—	—	—	4,542,568	4,542,568	0.879%	
Mr. Ip Ngai Sang (“Mr. Ip”)	—	—	—	1,817,027	1,817,027	0.352%	
Mr. Desmond Chiu	4,000	—	—	—	4,000	0.001%	
Dr. Lam Lee G. (“Dr. Lam”)	—	—	—	1,817,027	1,817,027	0.352%	
Mr. Eugene Yun Hang Wang (“Mr. Wang”)	—	—	—	1,817,027	1,817,027	0.352%	
Mr. Lee Kwan Hung (Mr. Lee”)	—	—	—	1,817,027	1,817,027	0.352%	

Notes:

- (1) These Shares were held by Madam Chiu Ju Ching Lan, spouse of Deacon Chiu, J.P. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by Madam Chiu Ju Ching Lan.
- (2) These Shares were held by the various companies which were wholly and beneficially owned by Deacon Chiu, J.P. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by the various companies.
- (3) The interest of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company.
- (4) The percentage is calculated on the basis of 516,845,064 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) 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 would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions 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 or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

Name of Director	Number of Shares			Total	Approximate percentage of the issued share capital of the Company ⁽³⁾
	Personal interests	Family interests	Corporate interests		
Mr. Duncan Chiu	163,417,604	—	—	163,417,604	31.62%
Mr. Daniel Tat Jung Chiu	4,840,000	—	22,880,088 ⁽¹⁾	27,720,088	5.36%
Madam Chiu Ju Ching Lan	4,175,160	22,718,030 ⁽²⁾	—	26,893,190	5.20%

Notes:

- (1) Out of the 22,880,088 Shares, 4,400,000 Shares were held by Cape York Investments Limited (“Cape York”), 50% of which was owned by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 Shares were held by Gorich Holdings Limited (“Gorich”), which was wholly-owned by Mr. Daniel Tat Jung Chiu. By virtue of the SFO, Mr. Daniel Tat Jung Chiu was deemed to be interested in the Shares held by Cape York and Gorich.
- (2) These Shares were held by Deacon Chiu, J.P., spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the Shares held by Deacon Chiu, J.P. The interests of Deacon Chiu, J.P. in the Company was stated under the section headed “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE” above.
- (3) The percentage is calculated on the basis of 516,845,064 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (other than Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, none of the Directors or their respective associates had any business or interest apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion which is contained in this circular.

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu:

- (1) did not have any shareholding, direct or indirect, in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (2) did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2013, being the date up to which the latest published audited financial statements of the Group were made; and

- (3) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name in the form and context in which they are included.

SERVICE CONTRACTS

Mr. Yen and the Company entered into a service agreement on 2 November 2011 pursuant to which Mr. Yen was appointed for a fixed term of 2 years and which expired on 1 November 2013. During the term of the appointment, Mr. Yen was entitled to annual remuneration of HK\$960,000, and a discretionary bonus. Mr. Yen and the Company entered into a new service agreement on 2 November 2013 pursuant to which Mr. Yen was appointed for a fixed term of 2 years and which will expire on 1 November 2015. During the term of the appointment, Mr. Yen is entitled to receive (i) a director's fee of HK\$30,000 per calendar month for 12 months, to be payable quarterly on the last day of each quarter, (ii) a salary of HK\$62,000 per calendar month from 2 November 2013 to 1 November 2014 and HK\$70,000 per calendar month from 2 November 2014 to 1 November 2015, which shall accrue on a daily basis of 365 days per year and be payable on the last business day of each calendar month, and (iii) a discretionary year end bonus payable at the end of each year.

Mr. Ip and the Company entered into a service agreement on 2 November 2011 pursuant to which Mr. Ip was appointed for a fixed term of 2 years and which expired on 1 November 2013. During the term of the appointment, Mr. Ip was entitled to annual remuneration of HK\$540,000, and a discretionary bonus. Mr. Ip and the Company entered into a new service agreement on 2 November 2013 pursuant to which Mr. Ip was appointed for a fixed term of 2 years and which will expire on 1 November 2015. During the term of the appointment, Mr. Ip is entitled to receive (i) a director's fee of HK\$10,000 per calendar month for 12 months, to be payable quarterly on the last day of each quarter, (ii) a salary of HK\$40,500 per calendar month from 2 November 2013 to 1 November 2014 and HK\$43,000 per calendar month from 2 November 2014 to 1 November 2015, which shall accrue on a daily basis of 365 days per year and be payable on the last business day of each calendar month, and (iii) a discretionary year end bonus payable at the end of each year.

Mr. Lee and the Company entered into a service contract for a term of 3 years commencing on 1st March, 2012. He is subject to retirement and re-election in the annual general meeting of the Company in accordance with the Articles. Mr. Lee is entitled to receive a monthly Director's fee of HK\$15,000 subject to further adjustment.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (1) the conditional sale and purchase agreement dated 24 January 2014 entered into between the Company and the Mr. Duncan Chiu (“**Mr. Chiu**”) in relation to the acquisition of 50,000 ordinary shares of US\$1 each, representing the entire issued share capital of Blooming Success Limited, a company incorporated in British Virgin Islands with limited liability, by the Company from Mr. Chiu at a consideration of HK\$36.6 million;
- (2) the cornerstone investor agreement dated 27 November 2013 entered into between the Company, China Binary Sale Technology Limited (“**China Binary**”) and Quam Securities Company Limited in relation to the acquisition of the shares of China Binary by the Company up to an aggregate value of HK\$10 million. The acquisition was completed on 4 December 2013 and the Company acquired 16,662,000 shares of China Binary at a price of HK\$0.6 per share;
- (3) the equity transfer agreement dated 30 September 2013 entered into between the Jubilee Star Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company and 中國航空器材集團公司, a state-owned enterprise established under the laws of the PRC in relation to the disposal of the approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 by the Jubilee Star Limited to 中國航空器材集團公司;
- (4) the disposal agreement dated 24 May 2013 entered into between the Company and Mr. Chu Kar Cheong (“**Mr. Chu**”) pursuant to which Mr. Chu conditionally agreed to acquire and the Company conditionally agreed to sell the 221 shares of Market Talent Limited held by the Company at a cash consideration of HK\$2,800,000;
- (5) the underwriting agreement dated 14 December 2012 entered into between the Company and Sun Hung Kai International Limited as the underwriter in relation to the open offer of the Company at a subscription price of HK\$0.20 per Share on the basis of one Share for every two Shares. The open offer was completed and a total of 151,418,943 offer shares were issued on 31 January 2013, resulting in gross proceeds of approximately HK\$30.30 million to the Company; and

- (6) the sale and purchase agreement dated 13 July 2012 entered into between the Company and Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35), pursuant to which the Company conditionally agreed to dispose of the entire issued share capital of Cathay Motion Picture Studios Limited (“**Cathay Motion**”), a wholly-owned subsidiary of the Company, and assign its debt, being HK\$9,351,306 due to the Company by Cathay Motion, at an aggregate consideration of HK\$8,500,000, which consists of HK\$1 being the sale shares consideration and HK\$8,499,999 being the debt consideration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal office of the Company at Room 2101–2102, 21st Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on weekdays other than Saturdays and public holidays up to and including the date of EGM:

- the memorandum and articles of association of the Company;
- the service contracts referred to in the section headed “Service Contracts” in this appendix;
- the material contracts referred to in the section headed “Material Contracts” in this appendix;
- the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information on the Remaining Group, the text of which is set out in Appendix II;
- the letter of consent from Deloitte Touche Tohmatsu referred to in the section headed “Expert and Consent” of this appendix;
- the letter from the Board, the text of which is set out in this circular;
- the annual reports of the Company for each of the years ended 31 December 2011, 2012 and 2013; and
- this circular.

MISCELLANEOUS

- The Company Secretary of the Company is Ms. Wong Po Ling Pauline (“**Ms. Wong**”). Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries.

- 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 2101-2102, 21st Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.
- The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- The English text of this circular prevails over the Chinese text in case of inconsistency.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Far East Holdings International Limited (the “Company”) will be held at The Penthouse, 24/F., Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong on Wednesday, 16 July, 2014, at 4:00 p.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

“THAT:

- (1) the proposed disposal (the “**Proposed Disposal**”) by the Company and/or its subsidiaries (collectively, the “**Group**”) of up to 113,399,822 ordinary shares (the “**CIL Shares**”) in the share capital of Chinasoft International Limited (“**CIL**”), a company incorporated in Cayman Islands with limited liability and whose shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), during the period of 12 months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders in general meeting of the Company) (the “**Mandate Period**”) on the terms set out in the circular of the Company dated 30 June 2014 relating to the Proposed Disposal (the “**Circular**”), in particular, amongst others, the following, be and is hereby approved:
 - (i) the Proposed Disposal may take place by way of sale in the open market or through block trade(s). If the CIL Shares are to be disposed through placing agent, broker or otherwise, the Company may appoint reputable placing agent or broker to identify purchaser(s) for the CIL Shares and the terms and conditions of the placing or brokerage agreement shall be negotiated on an arm’s length basis; and
 - (ii) if the disposal of the CIL Shares is made in the open market, it shall be sold at the market price. If the disposal of the CIL Shares is made through block trade(s), it shall be sold at a price no more than 5% discount to the average closing price of the CIL Shares in the five (5) trading days immediately prior to the date of any definitive agreement. The sale price per CIL Share to be disposed of by the Group shall in no event be lower than HK\$1.80. In the event of capital restructuring of CIL, the lowest sale price of HK\$1.80 shall be adjusted accordingly; and

NOTICE OF EGM

- (iii) if and when there shall be (a) any alteration to the nominal value of CIL Shares as a result of consolidation, subdivision or reclassification, or issue of new CIL Shares to the Company by way of capitalization of profits or reserves or by way of a scrip dividend during the Mandate Period, or (b) an issue of new CIL Shares to the Company by way of a rights issue or open offer during the Mandate Period, the number of CIL Shares approved under the Disposal Mandate (as defined in the Circular) shall be adjusted accordingly to include such new CIL Shares issued; and
- (2) the directors of the Company (the “**Directors**”) be and are hereby authorised for and on behalf of the Company to exercise all the powers of the Company to procure or effect the Proposed Disposal from time to time during the Mandate Period and to do all such acts and things, including but not limited to execution of all documents, which the Directors deem necessary, appropriate or desirable to implement and give effect to the Proposed Disposal and the transactions contemplated thereunder or in connection with the exercise of the Disposal Mandate (as defined in the Circular).”

By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

Hong Kong, 30 June 2014

Registered Office:

16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Head Office & Principal Place of Business:

Room 2101–2102, 21st Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Notes:

1. A form of proxy for use at the extraordinary general meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
3. Any member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

NOTICE OF EGM

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting.
5. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the extraordinary general meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the Board of the Company comprises eight Directors, of which four are executive Directors, namely, Deacon Te Ken Chiu, J.P., Mr. Derek Chiu, Mr. Richard Yen and Mr. Ip Ngai Sang, one is non-executive Director, namely, Mr. Desmond Chiu; and three are independent non-executive Directors, namely, Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.
8. The voting on the resolution will be conducted by way of poll.