



## FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 0036)

### ANNOUNCEMENT

#### PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION, SHARE SUBDIVISION, REDUCTION OF SHARE PREMIUM ACCOUNT DISCLOSEABLE AND CONNECTED TRANSACTION THE LKA DISPOSAL

##### Capital Reorganisation

The Directors propose to put forward the following to the Shareholders:

- the consolidation of every five (5) Shares of HK\$1.00 each (whether issued or unissued) into one Consolidated Share;
- the reduction of the nominal value of each Consolidated Share in issue from HK\$5.00 to HK\$0.01 by way of cancellation of HK\$4.99 from the paid-up capital on each Consolidated Share;
- the subdivision of each authorised but unissued Consolidated Share of HK\$5.00 into 500 Adjusted Shares of HK\$0.01 each;
- the application of the total credit arising from the Capital Reduction to set off part of the accumulated losses of the Company as at 31 December 2003 as shown in the audited accounts of the Company for the year ended 31 December 2003; and
- the reduction of the Share Premium Account by HK\$221,061,426 and the application of the credit arising therefrom to eliminate the balance of the accumulated losses of the Company as at 31 December 2003 as shown in the audited accounts of the Company for the year ended 31 December 2003.

##### The LKA Disposal

On 21 April 2004, the Company and Mr. Deacon Chiu entered into the Sale and Purchase Agreement pursuant to which the Company has agreed to sell LKA, a wholly foreign owned enterprise incorporated in the PRC which is wholly-owned by the Company, to Mr. Deacon Chiu. The aggregate consideration is HK\$8.8 million which will be satisfied by Mr. Deacon Chiu by partially offsetting an amount owing by the Company to Mr. Deacon Chiu. As at the date of this announcement, the amount owed by the Company to Mr. Deacon Chiu was approximately HK\$9.9 million.

The above consideration was arrived at after arm's length negotiations between the parties with reference to the adjusted audited net asset value of LKA as at 31 December 2003 of approximately HK\$8.8 million, having taken into account (a) the valuation of the Land of approximately HK\$9.2 million based on the Valuation Report dated 19 April, 2004 prepared by LCH (Asia-Pacific) Surveyors Limited, a firm of Chartered Surveyors; and (b) the waiver by the Company of an amount of approximately HK\$4.8 million as at 21 April 2004 owed by LKA to the Company and to other members of the Group.

Completion of the Sale and Purchase Agreement will take place on the third business day after all the conditions precedent of the Sale and Purchase Agreement have either been fulfilled or waived, as the case may be. It is expected that completion of the Sale and Purchase Agreement will take place on or before 21 June 2004. If any of the conditions precedent has not been fulfilled (or waived by Mr Deacon Chiu) by 21 June 2004 (or such other date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement will lapse.

Mr. Deacon Chiu is the Chairman of the Board and an executive Director. Mr. Deacon Chiu and his associates are interested in an aggregate of about 60.2% of the issued share capital of the Company. The LKA Disposal therefore constitutes a connected transaction of the Company under the Listing Rules. Each of the percentage ratios (other than the profits ratio) (as defined in the Listing Rules) is less than 25% and the consideration of the Sale and Purchase Agreement is less than HK\$10 million. Based on the foregoing, under Rule 14A.32(2) of the Listing Rules, the LKA Disposal is subject to reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

The LKA Disposal also constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company and, in accordance with the requirements set out under Rule 14.38 of the Listing Rules, a circular will be sent to the Shareholders giving details of the transaction.

The Directors consider the terms of the Sale and Purchase Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Company.

The Directors are of the view that the LKA Disposal is in the interest of the Company and the Shareholders as a whole and the terms of it are fair and reasonable as far as the Independent Shareholders are concerned.

##### General

A circular of the Company containing, inter alia, details of the Capital Reorganisation, the LKA Disposal and a notice of the EGM, will be sent to the Shareholders as soon as practicable.

##### Suspension and resumption of trading of the Shares

Trading of the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 23 April 2004. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 April 2004.

##### CAPITAL REORGANISATION

The Directors propose to put forward the following to the Shareholders to effect the Capital Reorganisation pursuant to sections 48B and 58 of the Companies Ordinance:

- the consolidation of every five (5) Shares of HK\$1.00 each (whether issued or unissued) into one Consolidated Share;
- the reduction of the nominal value of each Consolidated Share in issue from HK\$5.00 to HK\$0.01 by way of cancellation of HK\$4.99 from the paid-up capital on each Consolidated Share;
- the subdivision of each authorised but unissued Consolidated Share of HK\$5.00 into 500 Adjusted Shares of HK\$0.01 each;
- the application of the total credit arising from the Capital Reduction to set off part of the accumulated losses of the Company as at 31 December 2003 as shown in the audited accounts of the Company for the year ended 31 December 2003; and
- the reduction of the Share Premium Account by HK\$221,061,426 and the application of the credit arising therefrom to eliminate the balance of the accumulated losses of the Company as at 31 December 2003 as shown in the audited accounts of the Company for the year ended 31 December 2003.

As at the date of this announcement, the authorised share capital of the Company was HK\$700,000,000 divided into 700,000,000 Shares of HK\$1.00 each, and the issued share capital of the Company was HK\$331,668,905 divided into 331,668,905 Shares. The nominal value of the paid up capital and the sums standing to the credit of the Share Premium Account as set out in the Company's audited accounts for the year ended 31 December 2003 were approximately HK\$331.7 million and HK\$282.9 million respectively. The Company had no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares.

Based on the number of issued Shares as at the date of this announcement, the Capital Reduction will cause the paid up capital of the Company to be reduced by approximately HK\$331.0 million, thus resulting in the creation of a reserve of approximately HK\$331.0 million. Such amount will be applied to eliminate part of the accumulated losses of the Company as at 31 December 2003. The sums standing to the credit of the Share Premium Account as at 31 December 2003 amounted to HK\$282,892,010 of which HK\$221,061,426 will be applied to set-off against the remaining balance of the accumulated losses of the Company as at 31 December 2003. The accumulated losses of the Company as at 31 December 2003 amounted to approximately HK\$552.1 million.

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be HK\$700,000,000 comprising 70,000,000,000 Adjusted Shares and the issued share capital of the Company will be HK\$663,338 divided into 66,333,781 Adjusted Shares.

The Shares are currently traded in board lots of 2,000 Shares and the market value per board lot of the Shares is HK\$484 (based on the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on 22 April 2004, being the last trading day prior to the publication of this announcement). The Adjusted Shares will be traded in board lots of 2,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$2,420 (based on the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on 22 April 2004, and assuming the Capital Reorganisation becomes effective). The Adjusted Shares, when issued, will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

##### Expected timetable

The expected timetable for the Capital Reorganisation is as follows:

Despatch of circular	Monday, 3 May
Latest time for lodging proxy forms for the EGM	3:45 p.m. on Wednesday, 26 May
EGM	3:45 p.m. on Friday, 28 May
Hearing of petition for confirmation of the Capital Reduction by the Court	Tuesday, 13 July
Effective date of the Capital Reorganisation	Wednesday, 14 July
Dealings in the Adjusted Shares commence	Wednesday, 14 July
First day for the designated broker to stand in the market to provide matching services	Wednesday, 14 July
Closure of original counter for trading in existing Shares (represented by existing share certificates) in board lots of 2,000	9:30 a.m. on Wednesday, 14 July
Temporary counter for trading in Adjusted Shares (represented by existing share certificates) in board lots 400 opens	9:30 a.m. on Wednesday, 14 July

First day for free exchange of existing share certificates for the Shares for new share certificates for the Adjusted Shares

Original counter for trading in Adjusted Shares (represented by new share certificates) in board lots of 2,000 reopens

Parallel trading commences

Closure of temporary counter for trading in the Adjusted Shares (represented by existing share certificates) in board lots of 400

Parallel trading ends

Last day for the designated broker to stand in the market to provide matching services

Last day for free exchange of existing share certificates for new share certificates

Changes in the timetable, if any, trading arrangements and procedure for free exchange of share certificates will be set out in an announcement and the circular to be issued by the Company to the Shareholders as soon as practicable.

##### Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon, inter alia, the following:

- the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reorganisation;
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares to be issued upon the Capital Reorganisation becoming effective;
- the Court making an order confirming the Capital Reduction (the "Confirming Order") pursuant to section 60 of the Companies Ordinance; and
- the registration by the Registrar of Companies of an office copy of the Confirming Order and the minute containing the requisite particulars pursuant to section 61 of the Companies Ordinance (the "Minute").

Assuming that all the conditions are fulfilled, the Capital Reorganisation will become effective upon the registration of the Confirming Order and the Minute. Further announcement(s)

will be made by the Company to inform the Shareholders of the effective date of the Capital Reorganisation.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares upon implementation of the Capital Reorganisation.

#### Effects of the Capital Reorganisation

Implementation of the Capital Reorganisation would not, by itself, alter the underlying assets, liabilities, businesses, management or financial position of the Company and the Group or the rights of the Shareholders except for the payment of related expenses. The proportionate interests and voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation.

#### Free exchange of Adjusted Share certificates and trading arrangements

Subject to the Capital Reorganisation becoming effective, Shareholders may, during a specified period, submit certificates for the existing Shares to the Company's registrar, for exchange, at the expense of the Company, for certificates for the Adjusted Shares. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for Adjusted Shares. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time at the expense of the Shareholders.

#### Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company has agreed to procure an agent to arrange the matching of the sales and purchases of odd lots of the Adjusted Shares. Details of the colour of the new share certificates and odd lots arrangements will be provided in the circular to be despatched to the Shareholders.

#### Reasons for the Capital Reduction

The Shares have been traded at prices below their nominal value of HK\$1.00 each since mid 2000. The closing price of the Shares on the Stock Exchange on 22 April 2004, being the last trading day prior to the publication of this announcement was HK\$0.242 per Share. Under section 50 of the Companies Ordinance, it is not permissible for a company to issue shares at a discount to the nominal value of such share without the consent of the Court and the Company must apply to the Court, which involves considerable expense and time, for each capital raising exercise if the Shares are to be issued at a discount to the current nominal value of the Shares.

Therefore, although the Company does not currently have any plans to raise additional capital, the Directors are of the view that the reduction in the nominal value to HK\$0.01 per Share will facilitate future capital raising exercises.

#### Reasons for the Share Consolidation

Upon the change in board lot size, the market value of each board lot of 2,000 Adjusted Shares will be five times the market value of the current board lot of 2,000 Shares. Based on the closing price quoted on the Stock Exchange on the last trading day prior to the publication of this announcement of HK\$0.242 per Share, the value per board lot of 2,000 Shares and 2,000 Adjusted Shares are HK\$484 and HK\$2,420 respectively. The transaction cost per dollar value of each Adjusted Share will therefore be lower and the Directors are of the view that the Share Consolidation is in the interest of the Company and the Shareholders.

#### THE LKA DISPOSAL

##### Sale and Purchase Agreement

**Date:** 21 April 2004

**Parties:** Mr. Deacon Chiu as the purchaser and the Company as the vendor

Subject to the fulfilment or waiver of the conditions of the Sale and Purchase Agreement, Mr. Deacon Chiu agreed to acquire from the Company the entire equity capital of LKA. LKA will cease to be a subsidiary of the Company following the LKA Disposal.

#### Consideration

The consideration of HK\$8.8 million will be satisfied by Mr. Deacon Chiu by partially offsetting an amount owing by the Company to Mr. Deacon Chiu. As at the date of this announcement, the amount owed by the Company to Mr. Deacon Chiu was approximately HK\$9.9 million.

The consideration of HK\$8.8 million was arrived at after arm's length negotiations between the parties with reference to the adjusted audited net asset value of LKA as at 31 December 2003 of approximately HK\$8.8 million, having taken into account (a) the valuation of the Land of approximately HK\$9.2 million based on the Valuation Report dated 19 April 2004 prepared by LCH (Asia-Pacific) Surveyors Limited, a firm of Chartered Surveyors; and (b) the waiver by the Company of an amount of approximately HK\$4.8 million as owed by LKA to the Company and to other members of the Group as 21 April 2004.

#### Conditions

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver of the following conditions on or before 21 June 2004 (or such later date as the Company and Mr Deacon Chiu may agree in writing):

- (i) where necessary, all approvals from the relevant PRC government authorities (including the Ministry of Commerce of the PRC or its authorised authorities) and other third parties (such as lending banks and etc.) for the transactions contemplated under the Sale and Purchase Agreement being obtained; and
- (ii) the warranties given by the Company in relation to the beneficial ownership of the entire equity capital of LKA and that such interest is free from any encumbrances, claims, equities or third party rights of whatsoever nature remaining true and accurate.

Mr. Deacon Chiu shall be entitled to waive condition (ii) above. The Company will issue an announcement if condition (ii) above is waived by Mr. Deacon Chiu.

#### Completion

Completion of the Sale and Purchase Agreement will take place on the third business day after all the conditions precedent of the Sale and Purchase Agreement have either been fulfilled or waived, as the case may be. It is expected that completion of the Sale and Purchase Agreement will take place on or before 21 June 2004. If any of the conditions precedent has not been fulfilled (or waived by the relevant parties) by 21 June 2004 (or such other date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement will lapse.

#### Information on the Group

The Company is incorporated in Hong Kong with limited liability and whose securities are listed on the Stock Exchange. The Group is principally engaged in (i) information technology; (ii) industrial manufacturing; (iii) property development, investment and rental; (iv) securities investment; and (v) entertainment and leisure-related businesses.

#### Information on LKA

LKA, a wholly foreign owned enterprise established in the PRC on 18 June 1997, is wholly-owned by the Company. As at the date of this announcement, the directors of LKA are Mr. Deacon Chiu, Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu (all of whom are also Directors) and Mr. Yang Zhen.

LKA is engaged in the operation of an amusement park in Haimen of Jiangsu Province, the PRC. The land use rights of the Land on which the amusement park is built on are owned by LKA. Based on the audited results of LKA, LKA recorded turnover and after-tax net loss of approximately HK\$0.4 million and approximately HK\$6.0 million respectively for the financial year ended 31 December 2002 and turnover and after-tax net loss of approximately HK\$0.2 million and HK\$0.5 million respectively for the financial year ended 31 December 2003.

The audited net asset value of LKA as at 31 December 2003 was about HK\$0.6 million. Under the Sale and Purchase Agreement, the Company agreed to waive an amount of about HK\$4.8 million owing by LKA to the Company and to other members of the Group. Based on the Valuation Report, the valuation of the Land is approximately HK\$9.2 million as compared to its book value of about HK\$5.8 million as at 31 December 2003. Taking into consideration of the above, the adjusted audited net asset value of LKA will be approximately HK\$8.8 million.

#### Reasons for the LKA Disposal

The Group has continued to restructure its operations by disposing of non-core assets since 2003. It is the intention of the Directors for the Group to exit the entertainment and leisure business segment and to focus on the development of its information technology and industrial manufacturing businesses. LKA is the only remaining entertainment and leisure business of the Group and the Group will exit this business segment entirely upon completion of the LKA Disposal.

The amusement park operation of LKA began in June 1997. It has been loss-making since its incorporation and has accumulated losses of approximately HK\$18.9 million since its commencement of business. The Directors do not expect any significant turnaround in this business. The Group will recognise a profit of about HK\$3.4 million following the LKA Disposal and its liabilities (in this case being the Company's owing to Mr. Deacon Chiu) will reduce accordingly. The LKA Disposal is therefore in line with the Group's business strategy and the restructuring plan to strengthen its financial position. It will also relieve the Group from a business which has a loss-making track record.

The Directors consider the terms of the Sale and Purchase Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Company.

The Directors are of the view that the LKA Disposal is in the interest of the Company and the Shareholders as a whole and the terms of it are fair and reasonable as far as the Independent Shareholders are concerned.

#### Implication under the Listing Rules

Mr. Deacon Chiu is the Chairman of the Board and an executive Director. Mr. Deacon Chiu and his associates are interested in an aggregate of about 60.2% of the issued share capital of the Company. The LKA Disposal therefore constitutes a connected transaction of the Company under the Listing Rules.

Each of the percentage ratios (other than the profits ratio) (as defined in the Listing Rules) is less than 25% and the consideration of the Sale and Purchase Agreement is less than HK\$10 million. Based on the foregoing, under Rule 14A.32(2) of the Listing Rules, the LKA Disposal is subject to reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

The LKA Disposal also constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company and in accordance with the requirements set out under Rule 14.38 of the Listing Rules, a circular will be sent to the Shareholders giving details of the transaction.

#### GENERAL

As at the date of this announcement, the executive Directors are Mr. Deacon Chiu, Mr. Duncan Chiu and Mr. Dennis Chiu. The non-executive Directors are Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; and the independent non-executive Directors are Mr. Chi Man Ma and Mr. Siu Hong Chow.

A circular of the Company containing, inter alia, details of the Capital Reorganisation, the LKA Disposal and a notice of the EGM, will be sent to the Shareholders as soon as practicable.

#### Suspension and Resumption of trading of the Shares

Trading of the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 23

April 2004. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 April 2004.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Adjusted Share(s)"	share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
"associates"	the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Capital Reduction"	the proposed reduction of the nominal value of the issued share capital of the Company from HK\$5.00 per Consolidated Share to HK\$0.01 per Adjusted Share
"Capital Reorganisation"	the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Cancellation
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Far East Technology International Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Consolidated Share(s)"	share(s) of HK\$5.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction
"Directors"	the executive directors, non executive directors and independent non-executive directors of the Company
"EGM"	extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Capital Reorganisation
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholder(s) other than Mr. Deacon Chiu and his associates
"Land"	the plot of land situated in Haimen, Jiangsu Province, the land use rights of which are owned by LKA on which the amusement park is built on
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LKA"	Laichi Kok Amusement (Haimen) Co., Ltd., a wholly foreign owned enterprise incorporated in the PRC which is wholly owned by the Company
"LKA Disposal"	the disposal of LKA pursuant to the Sale and Purchase Agreement
"Mr. Deacon Chiu"	Mr. Deacon Te Ken Chiu, the Chairman of the Board and an executive Director
"PRC"	the People's Republic of China
"Sale and Purchase Agreement"	the sale and purchase agreement dated 21 April 2004 entered into between the Company and Mr. Deacon Chiu in relation to the LKA Disposal
"Share(s)"	ordinary share(s) of HK\$1.00 each in the capital of the Company prior to the Capital Reorganisation becoming effective
"Share Consolidation"	the proposed consolidation of every five issued Shares into one Consolidated Share
"Share Premium Account"	the share premium account of the Company
"Share Subdivision"	the proposed subdivision of each authorised but unissued Share into 500 Adjusted Shares of HK\$0.01 each
"Shareholders"	holders of the Shares or Adjusted Shares (as the case may be)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the valuation report dated 19 April 2004 prepared by LCH (Asia-Pacific) Surveyors Limited on the Land
"HK\$"	Hong Kong dollar(s), the lawful currency in Hong Kong

By Order of the board of  
**Far East Technology International Limited**  
**Duncan Chiu**  
*Managing Director and Chief Executive Officer*

Hong Kong, 28 April 2004