

The directors of Far East Technology International Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and a jointly controlled entity are information technology, manufacturing and trading of garment and commodity concrete, investment in properties for rental purpose, property development and investment in securities. Details of the principal activities of its subsidiaries, associates and a jointly controlled entity are set out in notes 19 to 21 respectively to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 23 of the annual report.

## **PROPOSED BONUS ISSUE**

The Directors have recommended a bonus share issue (the "Proposed Bonus Issue") of new shares (individually a "Bonus Share" and collectively the "Bonus Shares") to the shareholders of the Company on the basis of one Bonus Share of HK\$0.01 for every ten issued ordinary shares held by such shareholders whose names appear on the register of members of the Company on 23rd May, 2006. The Bonus Shares will be fully paid at par and will rank *pari passu* with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon:

- (i) an ordinary resolution to approve the Proposed Bonus Issue at the 2006 Annual General Meeting being duly passed; and
- (ii) the listing of and permission to deal in the Bonus Shares being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the 2006 Annual General Meeting.

## **RESERVES**

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 39 to the financial statements respectively.

## **INVESTMENT PROPERTIES**

Details of movements during the year in investment properties of the Group and the Company are set out in note 16 to the financial statements.

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

**SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 37.

**FIVE YEARS FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 83 of the annual report.

**PROPERTIES**

Details of the properties held by the Group at 31st December, 2005 are set out on page 84 of the annual report.

**PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES**

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

**DIRECTORS**

The directors of the Company who held office during the year and up to the date of this report were:

**Executive Directors**

Mr. Deacon Te Ken Chiu (*Chairman*)

Mr. Duncan Chiu (*Managing Director and Chief Executive Officer*)

Mr. Dennis Chiu

**Non-executive Directors**

Tan Sri Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Miss Margaret Chiu

**Independent Non-executive Directors**

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

Mr. Chi Man Ma

Mr. Hing Wah Yim

(resigned on 1st March, 2006)

(appointed on 1st April, 2006)

In accordance with Articles 76, 79 and 80 of the Company's Articles of Association, one-third of the Directors except Mr. Duncan Chiu shall retire from office, and being eligible, offer themselves for re-election. Mr. Duncan Chiu remains in office.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers the independent non-executive Directors to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Group are set out on pages 8 to 10 of the annual report.

## DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2005, the interests of the Directors and senior executives of the Company and their associates in the shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (I) Ordinary shares of HK\$0.01 each of the Company

Name of director	Number of ordinary shares of the Company held				Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Deacon Te Ken Chiu	11,605,514	1,897,800 <sup>(1)</sup>	1,466,076	14,969,390	15.04%
Tan Sri Dato' David Chiu	1,700,000	–	5,608,000 <sup>(2)</sup>	7,308,000	7.34%
Miss Margaret Chiu	1,000,000	–	–	1,000,000	1.01%
Mr. Dennis Chiu	4,386,464	–	6,080,000 <sup>(3)</sup>	10,466,464	10.52%
Mr. Daniel Tat Jung Chiu	2,200,000	–	14,480,040 <sup>(4)</sup>	16,680,040	16.76%
Mr. Derek Chiu	40,200	–	–	40,200	0.04%
Mr. Desmond Chiu	1,000,000	–	–	1,000,000	1.01%
Mr. Duncan Chiu	16,968,021	–	–	16,968,021	17.05%

**(2) Share options**

On 21st July, 2005, 6,600,000 share options were granted at an initial exercise price of HK\$1.35 per share. Pursuant to the rights issue during the year, the exercise price and number of the share options granted were adjusted from HK\$1.35 to HK\$1.2683 and from 6,600,000 to 7,025,200 respectively.

Details of share options granted on 21st July, 2005 and outstanding at 31st December, 2005 are as follows:

Name	Exercise price HK\$	Number of share options	
		Exercisable period (both days inclusives)	Number of share option granted during the year and outstanding
Executive Directors			
Mr. Deacon Te Ken Chiu	1.2683	21st July 2005 – 20th July 2015	2,206,158
Mr. Duncan Chiu	1.2683	21st July 2005 – 20th July 2015	3,328,848
Mr. Dennis Chiu	1.2683	21st July 2005 – 20th July 2015	1,064,424
Senior Executives			
Mr. Hung Kwong Lui	1.2683	21st July 2005 – 20th July 2015	212,885
Ms. Wendy Kim Bing Yung	1.2683	21st July 2005 – 20th July 2015	212,885
			7,025,200

Notes:

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (2) These shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (3) These shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (4) Of the 14,480,040 shares, 6,080,000 shares are held by Cape York, and the remaining 8,400,040 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares or debentures or underlying shares of the Company or any of its associated corporations at 31st December, 2005.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of the movements in the Company's share options during the year to subscribe for shares of HK\$0.01 each in the Company granted under the share option scheme are set out in note 38 to the financial statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and senior executives' interests in shares and share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## SUBSTANTIAL SHAREHOLDERS

At 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' and senior executives' interests in shares and share options", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares held	%
Gorich Holdings Limited ("Gorich") <sup>(1)</sup>	8,400,040	8.44
Cape York Investments Limited ("Cape York") <sup>(2)</sup>	6,080,000	6.11
Rocket High Investments Limited ("Rocket") <sup>(3)</sup>	5,608,000	5.64
Virtual Dragon International Limited ("Virtual Dragon") <sup>(4)</sup>	5,101,600	5.13

Notes:

- (1) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' and senior executives' interests in shares and share options" above.
- (2) Cape York is owned equally by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu. The interests of Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu in the Company are stated under the section headed "Directors' and senior executives' interests in shares and share options" above.

- (3) Rocket is wholly-owned by Tan Sri Dato' David Chiu. The interests of Tan Sri Dato' David Chiu in the Company is stated under the section headed "Directors' and senior executives' interests in shares and share options" above.
- (4) These shares are held by Peace View Company Limited ("Peace View"), a wholly-owned subsidiary of Far East Consortium Limited ("FEC"). On 28th March 2001, FEC had entered into a Sale of Shares Agreement with Virtual Dragon International Limited ("Virtual Dragon") to dispose of its entire equity interests in Peace View to Virtual Dragon.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December 2005.

### **MAJOR CUSTOMERS AND SUPPLIERS**

Aggregate sales of the Group's five largest and the top largest customers accounted for approximately 67% and 46% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the top largest suppliers accounted for approximately 46% and 12% of total purchases, respectively.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

### **EMPLOYEES AND REMUNERATION POLICIES**

At 31st December, 2005, the Group had approximately 600 employees in Hong Kong and 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 Group had adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees.

### **CORPORATE GOVERNANCE**

A report on the principle corporate governance practices adopted by the Company is set out on pages 18 to 21 of the annual report.

### **AUDIT COMMITTEE**

The Company's audit committee comprising Independent Non-executive Directors and Non-executive Director.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## **EMOLUMENT POLICY**

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 19th May, 2006 to 23rd May, 2006, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the Proposed Bonus Shares, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2006.

## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Duncan Chiu**

*Managing Director and Chief Executive Officer*

Hong Kong, 21st April, 2006