
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Far East Consortium International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

CONNECTED TRANSACTION

Independent financial adviser to the Independent Board Committee



台証證券(香港)有限公司
Taiwan Securities (HK) Co., Ltd.

A letter from the Board is set out on pages 4 to 10 and a letter from the Independent Board Committee of Far East Consortium International Limited is set out on page 11 of this circular. A letter from Taiwan Securities (HK) Company Limited containing its advice and recommendations to the Independent Board Committee of Far East Consortium International Limited is set out on pages 12 to 16 of this circular.

A notice convening an extraordinary general meeting of Far East Consortium International Limited to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong at 4:00 p.m. on 26 April 2001 is set out on pages 35 to 36 of this circular. Whether or not you are able to attend the meeting, shareholders are requested to complete and return the enclosed form of proxy to the principal office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

10 April 2001

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DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 6 December 2000 between the Purchaser and the Vendor relating to the sale and purchase of the Sale Shares and the Sale Loans, as supplemented by a supplemental agreement dated 12 December 2000 and an extension letter dated 19 January 2001
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement as supplemented by the Second Supplemental Agreement
“Consideration”	a total cash consideration of HK\$120 million for the sale and purchase of the Sale Shares and the Sale Loans
“Directors”	the directors of the Company
“Evergreen Agreement”	the conditional sale and purchase agreement dated 6 December 2000 (as supplemented by three supplemental agreements dated 14 December 2000, 27 December 2000 and 27 March 2001 respectively) between China Rich Holdings Limited (as vendor), Yoshiya International Corporation, Limited (as purchaser) and Rocket High (as guarantor)
“Extraordinary General Meeting/EGM”	the extraordinary general meeting of the Company to be convened at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong at 4:00 p.m. on 26 April 2001 to approve the Agreement as supplemented by the Second Supplemental Agreement, the notice of which is set out on pages 35 to 36 of this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board which is represented by Datuk Kee Leong Chee, an independent non-executive director of the Company
“Independent Shareholders”	Shareholders other than Mr. David Chiu and his associates (as defined in the Listing Rules)
“Latest Practicable Date”	9 April 2001, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. David Chiu”	Dato’ David Chiu, the Deputy Chairman and Chief Executive Officer of the Company
“PRC”	the People’s Republic of China which, for the purposes of this document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	Fung Lok Wai, Yuen Long, New Territories, Hong Kong
“Purchaser”	E-Cash Ventures Limited, a company incorporated in the British Virgin Islands with limited liability
“Rocket High”	Rocket High Investments Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially and wholly-owned by Mr. David Chiu
“Sale Company”	Mutual Luck Investment Limited, a company incorporated in Hong Kong with limited liability
“Sale Loans”	the interest free loan of HK\$123,222,298 advanced by the Vendor to the Sale Company
“Sale Shares”	4,600 shares of HK\$1.00 each of the Sale Company
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Second Supplemental Agreement”	the second supplemental agreement dated 27 March 2001 entered into between the Purchaser and the Vendor in relation to the Agreement
“Share(s)”	ordinary share(s) of \$0.10 each in the issued share capital of the Company

DEFINITIONS

“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Securities”	Taiwan Securities (HK) Company Limited, an investment advisor and a registered dealer registered with the Securities & Futures Commission under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Vendor”	Yoshiya International Corporation, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Vendor Shares”	ordinary shares of HK\$0.40 each in the capital of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

Directors:

Mr. Deacon Te Ken Chiu (*Chairman*)
Dato' David Chiu (*Deputy Chairman and
Chief Executive Officer*)
Mr. Steven Ying Wai Kwan (*Managing Director*)
Mr. Michael Chi Ning O'Young
Mr. Craig Williams
Mr. Dennis Chiu
Madam Ching Lan Ju Chiu*
Mr. Dick Tat Sang Chiu*
Mr. Daniel Tat Jung Chiu*
Mr. Kohei Ogawa*
Datuk Kee Leong Chee**
Mr. David Kwok Kwei Lo**

Registered Office:

P.O. Box 1043, Ground Floor
Caledonian House, Mary Street
George Town
Grand Cayman, Cayman Islands
British West Indies

Principal Office:

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

* *Non-executive Director*

** *Independent Non-executive Director*

10 April 2001

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

1. INTRODUCTION

On 22 January 2001, the Company issued a circular to the Shareholders for the purposes of providing information in relation to, inter alia, the purchase from the Vendor approximately 15.33% equity interest in the Sale Company and the Sale Loans for a total cash consideration of HK\$120 million and giving notice ("Notice") of an extraordinary general meeting of the Company to be convened on 8 February 2001.

On 8 February 2001, the Directors announced that the extraordinary general meeting of the Company convened on 8 February 2001 to consider and, if thought fit, to approve the resolution contained in the Notice was adjourned by the Independent Shareholders.

LETTER FROM THE BOARD

On 28 March 2001, the Directors announced that a second supplemental agreement to the Agreement has been entered into between the Purchaser and the Vendor on 27 March 2001.

The Agreement as supplemented by the Second Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the Independent Shareholders approval at the EGM.

This circular provides you with all the information as is stipulated under the Listing Rules in respect of the Agreement as supplemented by the Second Supplemental Agreement. This circular further contains, with regard to the Agreement as supplemented by the Second Supplemental Agreement, true and exact copies of: (1) a letter from the Board; (2) a letter of advice addressed to the Independent Shareholders from the Independent Board Committee; (3) a letter of advice addressed to the Independent Board Committee from Taiwan Securities; and (4) a valuation report from Chung Sen Surveyors Limited in relation to the Property.

Your attention is hereby specifically drawn to pages 35 to 36 of this circular where you will find a notice dated 10 April 2001 convening the EGM to be held on 26 April 2001. By way of service, we hereby send you such notice of the EGM.

2. THE AGREEMENT AS SUPPLEMENTED BY THE SECOND SUPPLEMENTAL AGREEMENT

Date of the Agreement: 6 December 2000

Date of the Second Supplemental Agreement: 27 March 2001

Parties to the Agreement and the Second Supplemental Agreement

Purchaser : E-Cash Ventures Limited

Vendor : Yoshiya International Corporation, Limited

Assets to be acquired

The Vendor's interest, upto its entire interest, in the Sale Company together with the Sale Loans advanced by the Vendor to the Sale Company.

The Sale Shares, equivalent to approximately 15.33% equity interest in the Sale Company, represent the entire interest of the Vendor in the Sale Company. By the Agreement entered into between the Purchaser and the Vendor, such interest is subject to the pre-emption rights contained in an agreement signed by the shareholders of the Sale Company dated 31 July 1992 ("Shareholders Agreement"), under which the Vendor is required to first offer (the "First Offer") the Sale Shares and the Sale Loans to other existing shareholders of the Sale Company for purchase at the same consideration offered by the Purchaser.

The First Offer has been sent to the other existing shareholders of the Sale Company regarding the Agreement. The First Offer has lapsed and the Vendor has received no acceptance from other existing shareholders of the Sale Company. However, the Agreement has not been completed

LETTER FROM THE BOARD

within the relevant period and in this connection, the Vendor has to offer the Sale Shares and the Sale Loans (the “Second Offer”) to other existing shareholders of the Sale Company for purchase at the consideration as mentioned in the paragraph below headed “Consideration”. The Second Offer is expected to lapse on 26 April 2001. As at the Latest Practicable Date, the Second Offer is still opened for acceptance from the existing shareholders of the Sale Company.

The Sale Loans to be taken up by the Company as part of the Agreement as supplemented by the Second Supplemental Agreement represent approximately 15.33% of the entire loans as shown in the latest available audited balance sheet of Mutual Luck Investment Limited as at 31 July 1999 below:

Mutual Luck Investment Limited

Balance Sheet

As at 31 July 1999

	1999
	<i>HK\$</i>
Land investment	<u>802,577,715</u>
Current assets	
Bank balances	47,045
Deduct:	
Current liabilities	
Creditors and accruals	<u>24,000</u>
Net current assets/(liabilities)	<u>23,045</u>
	<u><u>802,600,760</u></u>
Financed by:	
Share capital	30,000
Accumulated losses	(1,052,474)
Loans	<u>803,623,234</u>
	<u><u>802,600,760</u></u>

LETTER FROM THE BOARD

Consideration

The Consideration of HK\$120 million is determined after arm's length negotiations by reference to 15.33% of the book value of the Property of approximately HK\$120 million and will be payable in cash by three installments in the following manner:

- a. the first installment of HK\$12 million shall be payable on the Completion;
- b. the second installment of HK\$48 million shall be paid on the expiry of a three month period from the Completion or the date of completion of the Evergreen Agreement, whichever is the earlier; and
- c. the third installment of HK\$60 million shall be paid on the expiry of a six month period from the Completion or the date of completion of the Evergreen Agreement, whichever is the earlier.

It will be financed by internal resources and banking facilities of the Company. The Directors believe that the transaction will have no adverse financial impact on the Company.

In order to secure the payment of the balance of the Consideration by the Purchaser after Completion, the Purchaser undertakes to:

- a. procure the Company to enter into a corporate guarantee in favour of the Vendor to secure the performance of the Purchaser in respect of the payment of the balance of the Consideration after Completion; and
- b. execute a share pledge and a loan assignment in favour of the Vendor whereby the Purchaser shall pledge the Sale Shares and assign the Sale Loans to the Vendor to secure the performance of the Purchaser in respect of the payment of the balance of the Consideration after Completion.

The Company will comply with the Listing Rules requirements when the corporate guarantee is executed in favour of the Vendor.

The extension of the date of fulfillment of the conditions precedent under the Agreement as supplemented by the Second Supplemental Agreement has been extended from 11 February 2001 to 28 April 2001 or such later date as the parties may agree in writing.

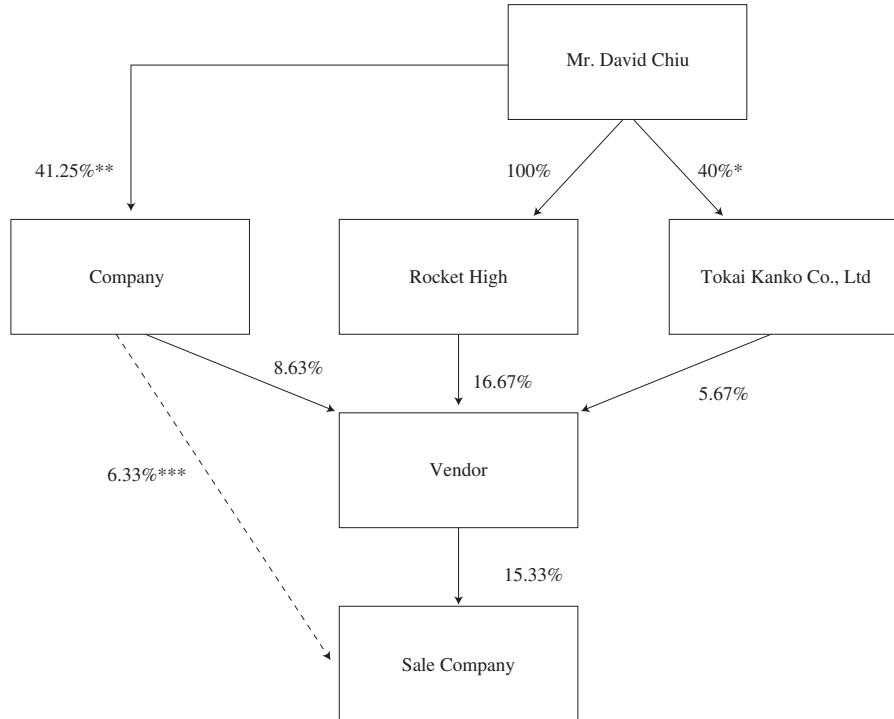
The date of Completion has been postponed to on or before 28 April 2001 or such later date as the parties may agree in writing.

Particulars of the transaction

Since the Vendor is 8.63% indirectly owned by the Company and 22.34% indirectly owned by Mr. David Chiu, a substantial shareholder, the deputy chairman and chief executive officer of the Company, together with his associates including Rocket High and Tokai Kanko Co., Ltd., the

LETTER FROM THE BOARD

Agreement as supplemented by the Second Supplemental Agreement constitutes a connected transaction pursuant to the Listing Rules. The abovementioned ownership structure of the Vendor is shown in the diagram below:



* the remaining 60% shareholding in Tokai Kanko Co., Ltd. is held by other shareholders who are not connected with Mr. David Chiu together with his associates or the Company.

** being an indirect shareholding in the Company held by Mr. David Chiu together with his associates.

*** the Company has an indirect effective interest of 6.33% in the Sale Company through a 19% interest in a joint venture that is one of the indirect shareholders of the Sale Company.

The Agreement as supplemented by the Second Supplemental Agreement is subject to the Independent Shareholders approval at the EGM and Mr. David Chiu together with his associates will abstain from voting to approve the Agreement as supplemented by the Second Supplemental Agreement at the EGM.

Taiwan Securities has been appointed to give an opinion as to whether the terms of the Agreement as supplemented by the Second Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE BOARD

Conditions of the Agreement as supplemented by the Second Supplemental Agreement and date of Completion

Completion of the sale and purchase of the Sale Shares and the Sale Loans under the Agreement as supplemented by the Second Supplemental Agreement is conditional upon the fulfillment of the following conditions (“Conditions”) on or before 28 April 2001 or such other date as the parties may agree in writing:

- (a) the shareholder of the Vendor (save for such connected persons as defined in the Listing Rules) shall have passed an ordinary resolution in a general meeting approving the Agreement as supplemented by the Second Supplemental Agreement and the transactions contemplated thereunder;
- (b) if required, the shareholders of the Company (save for such connected persons as defined in the Listing Rules) shall have passed an ordinary resolution in a general meeting approving the Agreement as supplemented by the Second Supplemental Agreement and the transactions contemplated thereunder; and
- (c) other shareholders of the Sale Company shall have not exercised their rights to purchase the Sale Shares and the Sale Loans in accordance with the Shareholders Agreement.

In the event that the Conditions not being fulfilled on or before 28 April 2001 or such other date as the parties may agree, the sale and purchase of the Sale Shares and the Sale Loans and the Agreement as supplemented by the Second Supplemental Agreement shall become null and void and of no further force and effect and none of the parties hereto shall have any claims against any other of them save for antecedent breach.

3. REASONS FOR AND BENEFITS RESULTING FROM THE TRANSACTION

The Sale Company, which is engaged in property development, is the legal and beneficial owner of the Property which is its only asset, the area of which is approximately 8.6 million square feet. The Property’s construction work at site has not yet commenced and the proposed amendment to zoning was gazetted in March 2000. It is expected that the environmental and ecological assessment as required under The Environmental Impact Assessment Ordinance will commence shortly. Since the Company is engaged in property investment and development business, the investment in the Property is in line with the corporate strategy to expand its land bank portfolio in Hong Kong so as to ensure a steady stream of properties under development. Therefore, the Company together through the Purchaser would like to make further investment in the Sale Company and therefore the Property and to become a more significant investor. The terms of the Agreement as supplemented by the Second Supplemental Agreement were negotiated on an arm’s length basis between the Purchaser and the Vendor, and the Directors consider that the terms of the Agreement as supplemented by the Second Supplemental Agreement are fair and reasonable to the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

4. EXTRAORDINARY GENERAL MEETING

Set out on pages 35 to 36 of this circular is the notice convening the EGM to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong at 4:00 p.m. on 26 April 2001, at which an ordinary resolution will be proposed to approve the Agreement as supplemented by the Second Supplemental Agreement.

You will find enclosed a form of proxy for use at the EGM. Whether or not you intend to be present at the meeting, you are requested to complete and return the relevant form of proxy to the principal office of the Company at 16/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so desire.

In view of Mr. David Chiu's interest in the Agreement as supplemented by the Second Supplemental Agreement, Mr. David Chiu and his associates (as defined in the Listing Rules) will abstain from voting on the ordinary resolution to be proposed at the EGM in relation to the Agreement as supplemented by the Second Supplemental Agreement.

5. RECOMMENDATIONS

The Independent Board Committee has been formed to consider and advise the Independent Shareholders directly on the terms of the Agreement as supplemented by the Second Supplemental Agreement. Having taken into account the advice of Taiwan Securities, the Independent Board Committee considers that the terms of the Agreement as supplemented by the Second Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and advises the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM. The letter of advice from Taiwan Securities is set out on pages 12 to 16 of this circular.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Yours faithfully,
By Order of the Board of
FAR EAST CONSORTIUM INTERNATIONAL LIMITED
David Chiu
Deputy Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

10 April 2001

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION

We refer to the circular issued by Far East Consortium International Limited (the “Company”) to its shareholders dated 10 April 2001 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

As an independent non-executive director of the Company who has no interest in the Agreement as supplemented by the Second Supplemental Agreement, I have been appointed by the Board to establish the Independent Board Committee to advise you on the terms of the Agreement as supplemented by the Second Supplemental Agreement.

Taiwan Securities has been appointed by the Company to advise the Independent Board Committee on the terms of the Agreement as supplemented by the Second Supplemental Agreement. Details of its advice together with the principal factors and reasons taken into consideration in arriving at such advice are set out in Taiwan Securities’ letter to the Independent Board Committee on pages 12 to 16 of the Circular.

I wish to draw your attention to the letter from the Board set out on pages 4 to 10 of the Circular, and the letter of advice from Taiwan Securities, as set out on pages 12 to 16 of the Circular, as well as the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Agreement as supplemented by the Second Supplemental Agreement and the advice of Taiwan Securities, I am of the opinion that the terms of the Agreement as supplemented by the Second Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the transaction is in the interests of the Company and its Shareholders. I therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement as supplemented by the Second Supplemental Agreement.

Yours faithfully,
Datuk Kee Leong Chee
Independent Board Committee

LETTER FROM TAIWAN SECURITIES

The following is the text of the letter of advice to the Independent Board Committee from the Independent Financial Adviser regarding the Agreement as supplemented by the Second Supplemental Agreement for the purpose of incorporation in the Circular.



台証證券(香港)有限公司
Taiwan Securities (HK) Co., Ltd.

Taiwan Securities (HK) Company Limited

Suite 4001-03, 40th Floor

Tower Two, Lippo Centre

89 Queensway

Central, Hong Kong

10 April, 2001

The Independent Board Committee
Far East Consortium International Limited
16th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We have been appointed as the independent financial adviser to the Independent Board Committee in relation to the sale and purchase agreement dated 6 December 2000 between the Purchaser and the Vendor relating to the sale and purchase of the Sale Shares and the Sale Loans, as supplemented by a supplemental agreement dated 12 December 2000, an extension letter dated 19 January 2001 (the "Original Agreement") and the Second Supplemental Agreement, details of which are contained in the letter from the Board set out on pages 4 to 10 of a circular to the shareholders of the Company dated 10 April, 2001 (the "Circular"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 28 March 2001, it was announced by the Company that the Second Supplemental Agreement was entered into between the Purchaser and the Vendor on 27 March 2001 in relation to the transactions contemplated under the Original Agreement. Pursuant to the Listing Rules, the Agreement as supplemented by the Second Supplemental Agreement between the Purchaser, a wholly owned subsidiary of the Company, and the Vendor constitutes a connected transaction of the Company in view of the fact that Mr. David Chiu, a shareholder, the deputy chairman and chief executive officer of the Company, is, together with his associates, also a substantial shareholder of the Vendor. Accordingly, the approval by the Independent Shareholders will be sought by the Company at the EGM to approve the Agreement as supplemented by the Second Supplemental Agreement.

LETTER FROM TAIWAN SECURITIES

In arriving at our opinion, we have relied on the statements, information, opinions, reports and representations contained in the Circular and the information and representations provided to us by the Directors and other professionals. We have assumed that all such statements, information, opinions, valuation, reports and representations contained or referred to in the Circular or otherwise provided by the Directors for which they are solely and wholly responsible were true, complete and accurate at the time they were made and given and continue to be so at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our recommendation. We have also been advised by the Directors that no material facts have been omitted from the Circular, the omission of which would make the Circular misleading. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate, or misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted any independent investigation into the businesses, affairs and prospects of the Company, the Purchaser, the Vendor, the Sale Company or any of their respective subsidiaries and associates; the technical and legal aspects relating to the valuation report on the Property; and the commercial and development aspects and the legal title of the Property.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice in respect of the Agreement as supplemented by the Second Supplemental Agreement, we have considered the following principal factors and reasons:

(A) Background

Details of the background information of the Agreement as supplemented by the Second Supplemental Agreement are set out in the "Letter from the Board" contained in the Circular. As mentioned therein, the Group has agreed to purchase from the Vendor up to approximately 15.33% equity interest in the Sale Company and the Sale Loans for a total cash consideration of HK\$120 million according to the Agreement. The Sale Loans to be taken up by the Company as part of the Agreement represent approximately 15.33% of the entire "Loans" as shown in the balance sheet of the Sale Company as at 31 July 1999. The only asset of the Sale Company is the Property.

The Sale Shares represent the entire interest of the Vendor in the Sale Company. In addition, such interest is subject to certain pre-emption rights as detailed in the "Letter from the Board". Prior to Completion, the Company has an effective interest of approximately 6.33% in the Sale Company. Upon Completion, the Company will have a maximum aggregate effective interest of approximately 21.66% in the Sale Company if the other existing shareholders of the Sale Company have not exercised their rights to purchase any of the Sale Shares and the Sale Loans.

On 22 January 2001, the Company issued a circular to the Shareholders for the purposes of providing information in connection with the Original Agreement and giving notice of an extraordinary general meeting of the Company to be convened on 8 February 2001. An extraordinary general meeting of the Company was convened on 8 February 2001 and such meeting had been adjourned until such time to be fixed by the Directors.

LETTER FROM TAIWAN SECURITIES

On 28 March 2001, it was announced by the Company that the Second Supplemental Agreement was entered into between the Purchaser and the Vendor on 27 March 2001 in relation to the Original Agreement. The principal purposes of the Second Supplemental Agreement are to amend the payment terms and conditions for the consideration payable under the Original Agreement and to postpone the date for fulfillment of the conditions precedent under the Original Agreement to 28 April 2001 or such other date as the parties involved may agree.

Independent Shareholders should note that the principal differences between the Original Agreement and the Second Supplemental Agreement are in respect of the payment terms and conditions for the consideration of HK\$120 million and the postponement of the date for fulfillment of the conditions precedent. Other terms and conditions contained in the Original Agreement remain in full force and effect. Therefore, we would draw your attention to our letter of advice dated 22 January 2001 (the "Previous Letter") in respect of the Original Agreement contained in the circular issued by the Company to the Shareholders on 22 January 2001 and, in particular, the section headed under "Principal factors and reasons considered" that have been considered by us. **For your ease of reference, a duplicate of the Previous Letter is attached hereto. The Independent Board Committee as well as the Independent Shareholders are advised to read this letter in conjunction with the Previous Letter.**

(B) Reason for the Second Supplemental Agreement

As stated in the announcement of the Company dated 8 February 2001, the extraordinary general meeting of the Company was convened on 8 February 2001 to consider the Original Agreement and such meeting has been adjourned until such time to be fixed by the Directors in view of the fact that the relevant extraordinary general meeting of the Vendor was adjourned earlier on. Accordingly, the resolution in relation to the Original Agreement and the implementation thereof has not been passed and the conditions precedent to the completion of the Original Agreement cannot be fulfilled before 11 February 2001, being the original latest date for such purpose pursuant to the Original Agreement. Had the Second Supplemental Agreement not been entered into, the Original Agreement would have lapsed and the Company would not be able to acquire the property interest in accordance with the terms and conditions of the Original Agreement.

(C) Consideration

Under the Original Agreement, the Group will purchase from the Vendor up to approximately 15.33% equity interest in the Sale Company and the Sale Loans for a total consideration of HK\$120 million in one lump sum in cash upon completion of the Original Agreement. As stated in the "Letter from the Board", the Consideration was negotiated between the Group and the Vendor on an arm's length basis by reference to 15.33% of the book value of the Property of approximately HK\$123 million.

Pursuant to the Second Supplemental Agreement, the Consideration shall be payable in cash by three installments, details of which are set out in the "Letter from the Board".

According to an independent property valuation report dated 10 April 2001 prepared by Chung Sen Surveyors Limited, being an independent professional valuer (the "Independent Valuer"), the total capital value of the Property was HK\$783,000,000 in existing state. As indicated in the

LETTER FROM TAIWAN SECURITIES

latest independent property valuation report prepared by the Independent Valuer, there has not been any change in the market value of the Property as at 27 March 2001 since its last valuation. The value attributable to the Group in proportion to its 15.33% interest in the Property was approximately HK\$120 million. On this basis, the effective cost of the relevant acquisition under the Agreement as supplemented by the Second Supplemental Agreement will remain equal to the independent valuation, which we consider to be acceptable.

In view of the fact that pursuant to the Second Supplemental Agreement, the Consideration will be payable in cash by three installments at different times, the present value of the Consideration payable by the Group as a result of the extended payment period as at completion of the Agreement as supplemented by the Second Supplemental Agreement will be slightly lower than the original case whereby the Consideration would have been paid in one lump sum in cash upon completion of the Original Agreement. However, due to the timing uncertainty, it is not possible for us to exactly quantify such reduction. Nonetheless, this change in payment schedule will effectively lower the acquisition cost to the Group.

We are of the opinion that the entering into the Second Supplemental Agreement by the Group will allow the Group to have sufficient time to complete the transactions contemplated under the Agreement as supplemented by the Second Supplemental Agreement. Had the Second Supplemental Agreement not been entered into, the Original Agreement would have lapsed and the Company would not be able to acquire the property interest in accordance with the terms and conditions of the Original Agreement. We have been advised by the Board that the change in payment schedule will allow additional flexibility to the Group in the payment of the Consideration as the Consideration will be paid in three installments instead of one lump sum upon the Completion.

(D) Share pledge and loan assignment

Pursuant to the Second Supplemental Agreement, the Purchaser has agreed to (i) enter into a share pledge and a loan assignment agreement in favor of the Vendor whereby the Purchaser shall pledge the Sale Shares and assign the Sale Loans to the Vendor; and (ii) procure the Company to enter into a corporate guarantee in favor of the Vendor. As advised by the Board, the share pledge and loan assignment arrangement will not affect the ownership title of the relevant property interest and such arrangement will serve as a protection to the Vendor as the Vendor will not receive the full Consideration immediately upon the Completion. Under the Original Agreement, the payment of the balance of the Consideration should have been paid in one lump sum. According to the Second Supplemental Agreement, the payment of the Consideration will be settled in three installments. Therefore, the Board believes that it is fair for the Company to guarantee the performance of the Purchaser in respect of the second and third installments after Completion.

Considering the fact that under the original terms of the Original Agreement that the Group was required to pay the Consideration in one lump sum in cash, we consider these new conditions will not create additional financial liabilities to the Group comparing to the original arrangement under the Original Agreement. We have been advised by the Board that the new arrangement involving the share pledge and the loan assignment agreement and the corporate guarantee to guarantee the financial obligations of the Group to the Vendor is in line with normal business practice of the Group in view of the extended payment period. We believe that the share pledge and

LETTER FROM TAIWAN SECURITIES

loan assignment arrangement is a fair measure taken by the Group in connection with the change in payment schedule. In addition, we have been advised by the Board that there have been no material changes in the financial positions of the Group as described in the last circular of the Company and the Previous Letter dated 22 January 2001 in connection with the Original Agreement. In this connection, we would draw your attention to the sub-section headed under “Financial impacts of the Agreement on the Group” in the Previous Letter that has been considered by us.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to above, and having regard to the independent professional valuation by the Independent Valuer, we consider that the Agreement as supplemented by the Second Supplemental Agreement is in the interest of the Company and the terms of the Agreement as supplemented by the Second Supplemental Agreement, are fair and reasonable so far as the interests of the Independent Shareholders as a whole are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution in relation to the Agreement as supplemented by the Second Supplemental Agreement and the implementation thereof at the EGM.

Yours faithfully,
For and on behalf of
Taiwan Securities (HK) Company Limited
Ronald T.L. Wan
Director & Head of Corporate Finance

The following is the text of the letter of advice to the Independent Board Committee from the Independent Financial Adviser regarding the Agreement for the purpose of incorporation in the Circular.



台証證券(香港)有限公司
Taiwan Securities (HK) Co., Ltd.

Taiwan Securities (HK) Company Limited

Suite 4001-03, 40/F
Tower Two, Lippo Centre
89 Queensway
Central, Hong Kong

22 January 2001

The Independent Board Committee
Far East Consortium International Limited
16th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We have been appointed as the independent financial adviser to the Independent Board Committee in relation to the Agreement, details of which are contained in the letter from the Board set out on pages 4 to 9 of a circular to the shareholders of the Company dated 22 January 2001 (the “Circular”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to the Listing Rules, the Agreement between the Purchaser, a wholly owned subsidiary of the Company, and the Vendor constitutes a connected transaction of the Company in view of the fact that Mr. David Chiu, a shareholder, the deputy chairman and chief executive officer of the Company, is, together with his associates, also a substantial shareholder of the Vendor. Accordingly, the approval by the Independent Shareholders will be sought by the Company at the EGM to approve the Agreement.

In arriving at our opinion, we have relied on the statements, information, opinions, reports and representations contained in the Circular and the information and representations provided to us by the Directors and other professionals. We have assumed that all such statements, information, opinions, valuation, reports and representations contained or referred to in the Circular or otherwise provided by the Directors for which they are solely and wholly responsible were true, complete and accurate at the time they were made and given and continue to be so at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our recommendation. We have also been advised by the Directors that no material facts have been omitted from the Circular, the omission of which would make the Circular misleading. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate, or misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted any independent investigation into the businesses, affairs and prospects of the Company, the Purchaser, the Vendor, the Sale Company or any of their respective subsidiaries and associates; the technical and legal aspects relating to the valuation report on the Property; and the commercial and development aspects and the legal title of the Property.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice in respect of the Agreement, we have considered the following principal factors and reasons:

(A) Background

Details of the background information of the Agreement are set out in the “Letter from the Board” contained in the Circular. As mentioned therein, the Group has agreed to purchase from the Vendor up to approximately 15.33% equity interest in the Sale Company and the Sale Loans for a total cash consideration of HK\$120 million. The Sale Loans to be taken up by the Company as part of the Agreement represent approximately 15.33% of the entire “Loans” as shown in the balance sheet of the Sale Company as at 31 July 1999. The only asset of the Sale Company is the Property.

The Sale Shares represent the entire interest of the Vendor in the Sale Company. In addition, such interest is subject to certain pre-emption rights as detailed in the “Letter from the Board”. Prior to Completion, the Company has an effective interest of approximately 6.33% in the Sale Company. Upon Completion, the Company will have a maximum aggregate effective interest of approximately 21.66% in the Sale Company if the other existing shareholders of the Sale Company have not exercised their rights to purchase any of the Sale Shares and the Sale Loans.

(B) Business of the Company and its subsidiaries (the “Group”)

The principal businesses of the Group are property investment and development, share trading, hotel operation and manufacture of boiler. The transaction contemplated under the Agreement relates to acquisition of property interests by the Group. Taking into account the existing business of the Group, the Agreement is, in our view, in line with the business nature of the Group and is in the ordinary course of business of the Group.

(C) Information on the Property

The Property known as Fung Lok Wai comprises a land with an area of approximately 8.6 million square feet in Yuen Long, New Territories in Hong Kong. The construction work at the site has yet to be commenced. The proposed amendment to zoning was gazetted in March 2000. As stated in the “Letter from the Board”, it is expected that the environmental and ecological assessment as required under The Environmental Impact Assessment Ordinance will commence shortly.

(D) Terms of the Agreement*(i) Basis and amount of consideration*

Under the Agreement, the Group will purchase from the Vendor up to approximately 15.33% equity interest in the Sale Company and the Sale Loans for a total cash consideration of HK\$120 million. As stated in the “Letter from the Board”, the Consideration was negotiated between the Group and the Vendor on an arm’s length basis by reference to 15.33% of the book value of the Property of approximately HK\$123 million.

In addition, according to an independent property valuation report dated 22 January 2001 prepared by Chung Sen Surveyors Limited, being an independent professional valuer (the “Independent Valuer”), the total capital value of the Property was HK\$783,000,000 in existing state. The value attributable to the Group in proportion to its 15.33% interest in the Property was approximately HK\$120 million. On this basis, the effective cost of the relevant acquisition under the Agreement will be equal to the independent valuation, which we consider to be acceptable.

Given the Sale Company is basically property development company and the sole asset of which is the Property, it is reasonable for the Company to determine the consideration payable by the Group with reference to the estimate of the market value of the Property after taking into account the independent valuation of the Property.

With reference to the independent property valuation report prepared by the Independent Valuer, the Property was zoned as “Conservation Area (CA)” under Lau Fau Shan & Tsim Bei Tsui OZP No.S/YL-LFS/3 dated 31 March 2000 and the Property is now within the “Other Specified Uses (OU)” annotated “Comprehensive Development and Wetland Enhancement Area (OU(CDWEA))” on the Lau Fau Shan and Tsim Bei Tsui-Outline Zoning Plan No.S/YL-LFS/4 dated 27 October 2000. As advised by the Independent Valuer, further development or planning on the Property is subject to the approval from the relevant local authorities such as Town Planning Board and Environmental Protection Department on any proposed development plan to be submitted by the Sale Company. With reference to the independent property valuation report, the Board is of the opinion that, given the rezoning of the Property was approved on 27 October 2000, the key remaining uncertain factors will be the timing of the actual development of the Property and the conditions to be imposed on the development of the Property by the relevant authorities. We are of the opinion that these will be the uncertainties in the development of the Property.

The independent valuation prepared by the Independent Valuer is subject to various assumptions made by the Independent Valuer, in particular those relating to the suitability of the ground conditions for any property development, the impact of geotechnical problems or environmental assessment, the issue of potential land premium and the permitted use of the Property. Independent Shareholders are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report. Independent Shareholders should also note that the value of the Property may be affected by a number of factors, such as the government’s attitude towards environmental issues, international, regional, Hong Kong economic climates and real estate market conditions, convenience and attractiveness of the potential development projects, proximity and quality of completed projects, quality of the management of the properties and market price of comparable properties for sale and rental.

(E) Source of funding of the Consideration

As stated in the “Letter from the Board”, the Consideration will be satisfied in cash. The consideration will be funded by internal resources and banking facilities of the Group. In this regard, your attention is drawn to the discussion on “Net assets and gearing” and “Working Capital” under the paragraph headed “Financial Impacts of the Agreement on the Group” below.

(F) Reasons for and benefits resulting from the Agreement

As mentioned in the “Letter from the Board”, the Sale Company is the legal and beneficial owner of the Property. The Board is of the view that given the business nature of the Group as a property investor and developer, the investment in the Property is in line with the business strategy of the Group to expand its land bank portfolio in Hong Kong so as to secure a steady stream of properties for future development. Furthermore, the additional investment in the Sale Company by the Group would enable the Group to further consolidate its property interests to become a more significant investor in the Property. Given the fact that the Group is a minority shareholder of the Sale Company, the Group will discuss with the other shareholders of the Sale Company so as to achieve the best use of the Property. As confirmed by the Board, the terms of the Agreement were negotiated on an arm’s length basis between the Purchaser and the Vendor. The Board considers that the terms of the Agreement are fair and reasonable to the Company and its shareholders as a whole.

Given the fact that the Property is a property for development, the main benefit to be derived from the Agreement will be the distribution of dividend to be derived from profit, if any, arising from any potential development by the Sale Company to the Company. Though it is not expected that the Property will be developed until the relevant approval(s) and/or permit(s) has/have been obtained, the Group is in a good position to capture the accrued benefits of the development of the Property over a longer run. In addition, as the Sale Company will only be an associated company of the Group, the payment of future dividend, if any, will not be in the control of the Group.

We are of the opinion that, subject to the relevant approval(s) and/or permit(s) has/have been obtained, the potential to develop the Property will be significantly broadened for other purposes. The acquisition provides an opportunity for the Group to broaden its asset base as the Group is a property developer which needs to expand its land bank portfolio in Hong Kong so as to secure a steady stream of properties for future development for the reason of profitability. Notwithstanding the relative weak performance of the local property market in recent years, the Board believes that the property market in Hong Kong would have good potential to pick up gradually with the falling interest rates. In this regard, we are of the opinion that, with the trend of falling interest rates and further improvement in the local economy and the buying power of general public, the household affordability in real estates will be enhanced in Hong Kong. Having considered the aforesaid benefits to be accrued to the Group, we consider that the entering into the Agreement by the Group is justified in the aspect of broadening of the asset base of the Group.

In addition, we are of the view that since the Group is principally engaged in property investment and development, the entering into the Agreement by the Company will not change its asset profile significantly. The general market risks the Group takes on as a result of the Agreement are not dissimilar to other companies in the property investment and development field.

(G) Financial Impacts of the Agreement on the Group*(i) Net assets and gearing*

Based on the audited consolidated net assets of the Group as at 31 March 2000 of approximately HK\$2,436.45 million, the Consideration represents approximately 4.92% of the net assets of the Group. On Completion and assuming that the Company's investment in the Sale Company will be stated at cost while the Consideration will be concluded on a dollar for dollar basis, the Agreement will have no impact on the net assets of the Group.

We have noted that the Consideration is to be financed by the Group's internal resources and banking facilities. The bank balances and cash of the Group amounted to approximately HK\$121.61 million as at 31 March 2000. With regard to the gearing ratio of the Group, we have conducted an analysis as below:

HK\$'000	As at 31 March, 2000	Proforma (assuming 100% internal cash resources)	Proforma (assuming 100% additional banking facilities)
Total liabilities – (a)	1,318,221	1,318,221*	1,438,221
Net assets – (b)	2,436,445	2,436,445*	2,436,445*
Gearing ratio – (a)/(b)	54.10%	54.10%	59.03%

* based on 2000 annual report

The audited gearing ratio was approximately 54.10% as at 31 March 2000. If the Consideration is to be 100% financed by the Group's internal cash resources, it will have no impact on the proforma gearing ratio. If the Consideration is to be 100% financed by the Group's additional banking facilities, the proforma gearing ratio of the Group will increase to 59.03%. The funding of the Consideration is likely to have a slight negative impact on the gearing of the Group and increase the interest expense of the Group. Though it is not expected that the Property will be developed until the relevant approval(s) and/or permit(s) has/have been obtained, the Group is in a good position to capture the accrued benefits such as the distribution of dividend(s) to be derived from profit arising from the potential development of the Property over a longer run as discussed in section F of our letter. In view of the availability of internal funding as aforesaid and assuming that the bank facilities being used by and available to the Group will remain available to the Group in the foreseeable future, we concur with the view of the Board that the Group will have sufficient financial resources to fund the Consideration even though it is likely to have a negative impact on the gearing of the Group. Based on the aforesaid, we are of the opinion that the increase in gearing will not have an adverse impact on the Group.

(ii) *Profit and loss*

The Group reported audited net profit of HK\$33.74 million and HK\$25.06 million for the years ended 31 March 2000 and 31 March 1999 respectively. For the six months ended 30 September 2000, an unaudited interim profit of HK\$22.65 million was reported by the Group. In view of the fact that the Property is yet to be developed as stated in the “Letter from the Board”, we consider that the Agreement has no immediate impact on the earnings for the Group.

(iii) *Working capital requirement*

The total acquisition cost will amount to a maximum of HK\$120 million. The acquisition cost will be funded by internal resources and banking facilities of the Group. As referred to in the paragraph headed “Source of funding of the Consideration” above, the Consideration will be satisfied by the Group entirely in cash. We have been advised by the Board that the funding of the Consideration will have no material impact on the Group’s existing banking facilities as it is the normal practice of the Group to take on additional banking facility on a project by project basis subject to the credit limits to be granted by the banks. Based on the bank balances and cash position of the Group as stated in the latest annual report of the Group and assuming that there will be no material reduction in banking facilities now available to the Group, we concur with the view of the Board that the Group will have sufficient financial resources to fund the Consideration. Nonetheless, as aforesaid, the funding of the Consideration will have a potential negative impact on the gearing of the Group and will increase the relevant interest expense. We are of the opinion that the working capital requirement of the Group will not be adversely affected by the Agreement based on additional banking facility to be available to the Group.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to above, and having regard to the independent professional valuation by the Independent Valuer, we consider that the Agreement is in the interest of the Company and the terms of the Agreement are fair and reasonable so far as the interests of the Independent Shareholders as a whole are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution in relation to the Agreement and the implementation thereof at the EGM.

Yours faithfully,
For and on behalf of
Taiwan Securities (HK) Company Limited
Ronald T.L. Wan
Director & Head of Corporate Finance

The following is the text of a letter and valuation certificate received from Chung Sen Surveyors Limited in connection with their valuation as at 27 March 2001 of the Property.



忠誠測量師有限公司
CHUNG SEN SURVEYORS LIMITED

UG/F, Kimley Commercial Bldg., 142-146 Queen's Rd. C., H.K.
香港中環皇后大道中142-146號金利商業大廈高層地下
Tel: 2541 2282 Fax: 2545 7564

10 April 2001

The Directors
E-Cash Ventures Limited
16th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

The Directors
Yoshiya International Corporation, Limited
3rd Floor, Kwong Sang Hong Centre
151-153 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Re: Lot 1457RP DD 123, Fung Lok Wai, Yuen Long

In accordance with your instructions to value the captioned property, we confirm that we carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of incorporating in the circular dated 10 April 2001 and providing you with our opinion of the open market value of such property interest as at 27 March 2001 (referred to as the "valuation date").

This letter which forms part of our valuation certificate explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of property and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- i. A willing seller;
- ii. That, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- iii. That the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on date of valuation;
- iv. That no account is taken of any additional bid by a purchaser with a special interest;
- v. That both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

In this certificate, we have valued the property interest in its existing state as bare agricultural land.

VALUATION METHODOLOGY

Unless stated otherwise, the property interest is valued by the comparison method where a comparison based on prices realized of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interest in the open market in its existing state without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest.

As the property is held under a Government Lease, we have assumed that the owner of the property interest has free and uninterrupted rights to use the property for the whole of the unexpired term of the Government Lease. Unless stated as otherwise, vacant possession is assumed for the property concerned. In addition, we assumed that no encroachment or trespass exists, unless noted in the certificate.

In the course of our valuation, we believe that the assumptions so made by us are reasonable in the circumstances. We have also assumed that vacant possession shall be obtained without any onerous conditions or undue time delay which might affect the value.

Other special assumptions in respect of the property, if any, have been set out in the footnotes of the valuation certificate.

TITLESHP INVESTIGATION

We have caused a search to be made at the relevant Land Registry for the subject property interest.

However, all opinions, if any, referred to in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the instructing party and have accepted advice given to us by the instructing party on matters such as statutory notices, easements, tenure, occupancy, site and floor areas and in the identification of the appraised property. All dimensions, measurements and areas stated in this report are approximate. We have no reason to doubt the truth and accuracy of the information as provided to us by the instructing party. We have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property interest nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

We have carried out an inspection of the property. However, no site investigations have been carried out to determine the suitability of the ground conditions for any property development. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

The market value estimate contained within this certificate specifically excludes the impact of geotechnical problems or environmental assessment or other inherent causes. It is recommended that the readers of this certificate consult a qualified engineer and/or environment consultant for the evaluation of possible geotechnical/environmental defects, the existence of which could have a material impact on market value.

OPINION OF VALUE

The capital value of the property interest is shown in the valuation certificate.

REMARKS

1. The property value is in Hong Kong Dollars.
2. This valuation certificate is issued subject to our Standard Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Chung Sen Surveyors Ltd
M.K. Chung
Valuation manager

Remarks: Mr. M.K. Chung, who is a Chartered Valuation Surveyor, has over 6 years post qualification experience in valuation of properties in Hong Kong.

Standard Limiting Conditions

- (1) The use of the word “property” throughout this report is intended to mean “land and building” and the word “land” has its normal legal interpretation.
- (2) The value stated in this report does not take into account any mortgage or charges which may or may not be registered against the property. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value. We assume no responsibility for matters legal in nature, nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.
- (3) No detailed on-site measurements of the property were taken. The plans in this report are included to assist the reader to visualize the subject property and we assume no responsibility for their accuracy.
- (4) Unless otherwise stated we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economies do not come within the scope of this report.
- (5) This report is for the exclusive use of the addressee stated herein and for internal circular purpose only. The contents of this report either in whole or in part shall not be disclosed to any other parties and we accept no responsibility if it is used or relied upon by any others or for purposes, such as mortgages or legal charges, other than that stated herein except with our prior written consent.
- (6) We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as statutory notices, easements, tenure, occupation, lottings, site and floor areas and all other relevant matters. We assume no responsibility for their accuracy.
- (7) While we have made investigations into the title and other details of the property as recorded by the Land Registry, we are unable to accept responsibilities for them, nor for any liability against the property which were unrecorded at the time of our valuation.
- (8) Any necessary interpretations that we have been obliged to make of the relevant leases are informal and our own, and without any liability.
- (9) In the case of no lot boundaries set out on the ground, identification of the same was made on site by reference of survey plans and demarcation district plan obtained from the District Land Registry. No warranty will be given as to the exact location of the lot or to whether the structure (if any) standing on the lot straddles over any other lots.

Property	Description and tenure	Particulars of Property occupancy	Open market value in existing state as at 27 March 2001
The Remaining Portion of Lot No. 1457 in D.D. 123	<p>The property is an agricultural land comprising a number of fish ponds occupied by fish farms. <i>(note 2)</i></p> <p>The site area of the property is approximately 8,610,955 sq.ft.</p> <p>The property is held under a Tai Po New Grant No. 2692. However, lease term, commencement date and its rent cannot be ascertained from the New Grant. <i>(note 3)</i></p> <p>No construction work was noted on the inspection of the property on 9 May 2000.</p>	Certain portion of the property is being occupied by fish farms as fish ponds. <i>(note 2)</i>	HK\$783,000,000.00

1. The registered owner of the property is Mutual Luck Investment Limited.
2. We have been instructed to value the subject site on vacant possession basis and have not verified the existence of any tenancy.
3. According to the remarks on the land search record from the Yuen Long Land Registry on 4 May 2000.
4. Previously, the site was zoned as "Conservation Area (CA)" under Lau Fau Shan & Tsim Bei Tsui OZP No.S/YL-LFS/3 dated 31 March 2000. The site is now within the "Other Specified Uses (OU)" annotated "Comprehensive Development and Wetland Enhancement Area (OU(CDWEA))" on the Lau Fau Shan and Tsim Bei Tsui-Outline Zoning Plan No. S/YL-LFS/4 dated 27 October 2000 (the "OZ Plan"). According to the Explanatory Notes attached to the OZ Plan, Fish Pond Culture is permitted under Column 1. Other uses may be permitted under Column 2 including flats and houses on application to the Town Planning Board. No new development shall be permitted except development with conservation objectives and on land zoned "OU(CDWEA)", the total development/redevelopment shall not exceed a maximum gross floor area of 148,000 sq.m. or 1,593,072 sq.ft..
5. A land premium will be payable to government for the modification of the lease conditions to permit development on the site. Our valuation is exclusive of any premium payable to the government.
6. Our valuation is on the basis that a Section 16 approval (Town Planning Ordinance (CAP 131)) shall be granted for a residential development of approximately 148,000 sq.m. on the site without onerous conditions and undue delay. We have further assumed that a modification of the lease conditions shall be granted swiftly.

Appendix (i): Location Plan



Appendix (ii): Outline Zoning Plan



Appendix (iii): Photographs



Access road branching off Fuk Shun Road



A view of the Property



A view of the Property



Kingswood Villas and nearby development

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the issued share capital of the Company (within the meaning of the SDI Ordinance) which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken to have under Section 31 or Part I of the Schedule in the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or, which were required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Nature of interest	Number of Shares
Deacon Te Ken Chiu	Personal and Corporate (<i>Note 1</i>)	116,453,099
David Chiu	Personal and Corporate (<i>Note 2</i>)	269,675,061
Dennis Chiu	Personal and Corporate (<i>Note 3</i>)	4,851,020
Ching Lan Ju Chiu	Personal	1,108,018
Dick Tat Sang Chiu	Personal	770,697
Daniel Tat Jung Chiu	Personal and Corporate (<i>Note 4</i>)	3,913,468

Note 1: These include Shares held by various companies controlled by Mr. Deacon Te Ken Chiu.

Note 2: These include Shares held by Sumptuous Assets Limited.

Note 3: These Shares are held by Chiu Capital N.V. and First Level Holdings Limited.

Note 4: Include 3,877,218 Shares held by First Level Holdings Limited and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

- (b) As at the Latest Practicable Date, the interests of the Directors in the issued share capital of the Company's associated corporations (within the meaning of the SDI Ordinance) which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken to have under Section 31 or Part I of the Schedule in the SDI Ordinance) or which were required,

pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or, which were required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Name of associated corporation	Number of Shares
Deacon Te Ken Chiu	Far East Technology International Limited	110,926,800 (<i>Note 1</i>)
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Oi Tak Enterprises Limited	250,000
David Chiu	Libran Star (M) Sdn. Bhd.	125,000
Dennis Chiu	Far East Technology International Limited	47,010,200 (<i>Note 2</i>)
Daniel Tat Jung Chiu	Far East Technology International Limited	41,400,000 (<i>Note 2</i>)

Note 1: Include 6,110,000 Shares held by Madam Ching Lan Ju Chiu, the spouse of Mr. Deacon Te Ken Chiu.

Note 2: Include 30,400,000 Shares held by Cape York Investments Limited, a company beneficially owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

- (c) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates had any interest in the issued share capital of the Company or its associated corporations which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have taken under Section 31 or Part I of the Schedule in the SDI Ordinance) to Section 29 of the SDI Ordinance to be entered in the register referred to therein or, which are required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.
- (d) As at the Latest Practicable Date, the outstanding share options granted to the Directors were as follows:

Director	Number of options outstanding	Exercise price per Share	Exercise period
Michael Chi Ning O'Young	3,000,000	HK\$1.80	8 October 1998 to 7 October 2001

- (e) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements which were subsisting at the Latest Practicable Date and were significant in relation to the business of the Group.

- (f) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the expert whose name is listed in the paragraph headed “Experts” in this appendix had any direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 March 2000.

3. SUBSTANTIAL SHAREHOLDERS

Other than the Directors or chief executive of the Company whose interests are disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having a direct or indirect interest of 10% or more in the issued share capital of the Company as at the Latest Practicable Date.

4. SERVICE CONTRACTS

None of the Directors has a service contract with the Company not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company.

6. EXPERTS

Taiwan Securities and Chung Sen Surveyors Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters, recommendations and the references to their names in the form and context in which they respectively appear. Taiwan Securities is a registered investment advisor and registered dealer and Chung Sen Surveyors Limited is a professional surveyors and valuers. They are not interested in any Shares nor do they have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares.

7. NO MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 March 2000 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. MISCELLANEOUS

- (a) The registrars of the Company is Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (b) The secretary of the Company is Mr. Kwok Wor CHOW, F.C.S., F.H.K.S.A.
- (c) The English text of this circular prevails over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong during normal business hours until the date of the EGM, which is 26 April 2001:

- (a) the letter from the Independent Board Committee, the full and exact text of which is set out on page 11 of this circular;
- (b) the letter from Taiwan Securities, the full and exact text of which is set out on pages 12 to 16 of this circular;
- (c) the valuation report from Chung Sen Surveyors Limited, the full and exact text of which is set out as Appendix II to this circular;
- (d) the Agreement; and
- (e) the Second Supplemental Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Far East Consortium International Limited (the “Company”) will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on 26 April 2001 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the sale and purchase agreement (the “Agreement”), a copy of which has been produced to the meeting marked “A” and has been signed by the Chairman of the meeting for the purposes of identification, dated 6 December 2000 as supplemented by a supplemental agreement dated 12 December 2000, an extension letter dated 19 January 2001 and a second supplemental agreement dated 27 March 2001 made between (i) E-Cash Ventures Limited, a wholly-owned subsidiary of the Company and (ii) Yoshiya International Corporation, Limited relating to, inter alia, the sale and purchase of a maximum of (i) 4,600 shares of Mutual Luck Investment Limited and, correspondingly, (ii) an interest-free loan of HK\$123,222,298 at the aggregate maximum consideration of HK\$120,000,000, be and is hereby approved and confirmed; and
- (b) any director of the Company be authorised to implement and take all steps and do any and all acts and things and execute all documents as may be necessary or desirable to give effect to the obligations of the Company in respect of the Agreement .”

By order of the Board

Chow Kwok Wor

Company Secretary

Hong Kong, 10 April 2001

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

P.O. Box 1043, Ground Floor
Caledonian House, Mary Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of Business:

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

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a 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 that power or authority, must be deposited at the principal office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong not later than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude shareholders from attending the meeting and voting in person.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one such joint holder is present at the meeting personally or by proxy, the joint member whose name stands first on the register of members of the Company in respect of such share, or his proxy, shall be entitled to vote in respect thereof.