

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF EQUITY INTEREST
IN BEIJING KAILAN**

Financial Adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 30 September 2013, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Interests at a consideration of RMB40.50 million (equivalent to approximately HK\$51.33 million). The Sale Interests represent approximately 20.02% of the entire equity interest of Beijing Kailan as at the date of this announcement. Upon Completion, the Company will no longer have any interest in Beijing Kailan, which will cease to be a joint venture of the Company and its financial results will no longer be accounted for in the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction to the Company and is subject to the applicable reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information of the Disposal and a notice convening the EGM to approve the Disposal is expected to be despatched to the Shareholders on or before 23 October 2013 under the requirements of the Listing Rules.

THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 30 September 2013, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Interests at a consideration of RMB40.50 million (equivalent to approximately HK\$51.33 million).

The principal terms of the Disposal Agreement are set out below:

Date

30 September 2013

Parties

- (i) the Purchaser: 中國航空器材集團公司 (China Aviation Supplies Holding Company*)
- (ii) the Vendor: Jubilee Star Limited (禧星有限公司), an indirect wholly-owned subsidiary of the Company

As at the date of this announcement, the Company and the Purchaser own approximately 20.02% and 79.98% of the equity interest of Beijing Kailan respectively. The Purchaser was established as a stated-owned enterprise established under the laws of the PRC and engaged in aviation related business. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its associates are third parties independent of the Company and its connected persons.

Assets to be disposed of

The Sale Interests represent approximately 20.02% of the entire equity interest of Beijing Kailan as at the date of this announcement.

Consideration of the Disposal

Pursuant to the Disposal Agreement, the consideration for the Disposal is RMB40.50 million (equivalent to approximately HK\$51.33 million) and shall be payable by the Purchaser to the Company in cash within 10 Working Days from the date of Completion.

The consideration has been arrived at after arm's length negotiation between the parties with reference to the audited consolidated net asset of Beijing Kailan of approximately RMB187.27 million (equivalent to approximately HK\$237.33 million) as at 31 December 2012, adjusted by the equity interest of 20.02% in Beijing Kailan indirectly owned by the Company.

Conditions Precedent

The Disposal Agreement shall become effective subject to and conditional upon the fulfillment of the following conditions:

- (1) the Shareholders passing an ordinary resolution in respect of the Disposal Agreement and the transactions contemplated thereunder in the EGM in accordance with the requirements of the Listing Rules;
- (2) the Purchaser having completed all necessary internal approval procedures and obtained all necessary approval and consents in respect of the signing and execution of the Disposal Agreement and the transactions contemplated thereunder;
- (3) the Purchaser having signed the new memorandum and articles of association of Beijing Kailan to be adopted after the Completion;
- (4) the two directors nominated by the Vendor to the board of directors of Beijing Kailan having signed resignation letters, agreeing to resign from directorship of Beijing Kailan with effect from the effective date of the Disposal Agreement;
- (5) the Purchaser having obtained documentation from the SASAC in relation to the Disposal according to the relevant rules and regulations on stated-owned asset supervision and management in the PRC; and
- (6) the approval of the Disposal Agreement by the relevant approval authority and there is no substantial amendment by the relevant approval authority to the terms and conditions under the Disposal Agreement (If the relevant approval authority considers the approval of the Disposal Agreement be conditional upon the amendment of a term or certain terms in the Disposal Agreement, both parties will need to give their consent to such amendments in writing.).

In the event that any of the conditions precedent as mentioned above are not fulfilled after 180 days of the date of signing of the Disposal Agreement (or such later date as the parties to the Disposal Agreement may agree), either the Vendor or the Purchaser may terminate the Disposal Agreement by notifying the other party by notice in writing, upon which the Vendor and the Purchaser shall not be bound to proceed with the transfer of the Sale Interests; and Disposal Agreement shall cease to have any effect.

Completion of the Disposal

Upon the Disposal Agreement becomes effective, the Purchaser shall undertake to complete the vetting procedures in relation to the registration of the change of business arising from the Disposal and deliver to the Vendor the relevant evidence to demonstrate the completion of the Disposal.

Completion of the Disposal shall take place on the day on which the Purchaser has obtained a new business license for Beijing Kailan.

INFORMATION OF BEIJING KAILAN

Beijing Kailan was established as a limited liability company on 12 April 1993 under the laws of the PRC and was subsequently transformed into a sino-foreign joint venture on 14 May 2008 with a total investment amount and registered capital of RMB400 million and approximately RMB153.41 million respectively. As at the date of this announcement, Beijing Kailan is owned as to approximately 20.02% and 79.98% by the Vendor and the Purchaser respectively.

Beijing Kailan Group is principally engaged in aviation related business. The Group has contributed RMB30.71 million of the registered capital of Beijing Kailan pursuant to the joint venture agreement dated 18 September 2007, representing approximately 20.02% of the existing registered capital of Beijing Kailan.

Set out below is the key financial information of Beijing Kailan Group based on its audited consolidated financial statements for each of the two years ended 31 December 2011 and 31 December 2012 respectively:

	For the year ended 31 December 2011 (Audited) RMB	For the year ended 31 December 2012 (Audited) RMB
Profit before tax	1,688,636	7,313,716
Profit after tax	1,131,015	5,740,143
	As at 31 December 2011 (Audited) RMB	As at 31 December 2012 (Audited) RMB
Net assets	181,532,112	187,272,255

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Company is an investment holding company. The Group's major business activities include aviation maintenance services and manufacturing and sales of garment products.

Since the joint venture agreement dated 18 September 2007, the Company has invested an aggregate of RMB38.00 million in Beijing Kailan with an expectation on the growth of aviation industry in the PRC. However, the financial performance of Beijing Kailan Group was far below the expectation of the Company. For the year ended 31 December 2009 to the year ended 31 December 2012, the audited consolidated net profit after tax of Beijing Kailan Group ranged approximately from RMB1.12 million to RMB5.74 million only.

Although the demand for aviation equipment, parts and maintenance services has grown gradually in the PRC in recent years, this industry is becoming more competitive. More players are entering the market each year while existing players are expanding their breath of offerings. Furthermore, price sensitivity for parts and maintenance is increasing rapidly in the industry, and the revenue growth and profit margin are greatly affected by higher material, fuel, and labor costs.

It is the view of the Board that the financial performance of Beijing Kailan Group is not satisfactory and may not be able to meet the Company's expectation in the near future. The Disposal provides the Company with an opportunity to dispose of its investment in Beijing Kailan at a fair value with reference to the net asset value of Beijing Kailan and the Board considers it appropriate to exit such investment at this time. The Group will continue to search for potential investment opportunities and the proceeds from the Disposal are intended to be used for future investments when such opportunities arise.

The Directors consider that the terms of the Disposal Agreement are negotiated on an arm's length basis, on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The investment in Beijing Kailan was classified by the Company as "Interest in a joint venture" which is accounted for using the equity method of accounting in the consolidated financial statements of the Company. Upon Completion, the Company will no longer have any interest in Beijing Kailan, which will cease to be a joint venture of the Company and its financial results will no longer be accounted for in the consolidated financial statements of the Company.

The Group expects to recognize a disposal gain (before legal and professional fees and withholding tax) of approximately HK\$6.41 million from the Disposal, which is calculated on the basis of the carrying value of the investment in Beijing Kailan of HK\$44.92 million on the audited consolidated financial statements of the Company as at 31 December 2012 and the proceeds of the Disposal of RMB40.50 million (equivalent to approximately HK\$51.33 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction to the Company and is subject to the applicable reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

The Company will convene an EGM to seek Shareholder's approval on the Disposal Agreement and the transactions contemplated thereunder. As no Shareholder has a material interest in the Disposal Agreement and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal.

A circular containing, among other things, further information of the Disposal and a notice convening the EGM to approve the Disposal is expected to be despatched to the Shareholders on or before 23 October 2013 under the requirements of the Listing Rules.

DEFINITIONS

“Beijing Kailan”	北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd*), a sino-foreign equity joint venture enterprise established under the laws of the PRC and owned as to approximately 79.98% by the Purchaser and as to approximately 20.02% by the Vendor as at the date of this announcement
“Beijing Kailan Group”	Beijing Kailan and its subsidiaries
“Board”	the board of Directors
“Company”	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the registration of the change of business with the relevant PRC authority for the Disposal pursuant to the Disposal Agreement and the date of Completion shall be construed as the date upon which Beijing Kailan obtains a new business licence
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the equity transfer agreement dated 30 September 2013 entered into between the Vendor and the Purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the Disposal and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China

“Purchaser”	中國航空器材集團公司 (China Aviation Supplies Holding Company*), a state-owned enterprise established under the laws of the PRC and holds approximately 79.98% of the equity interest in Beijing Kailan as at the date of this announcement
“Sale Interests”	approximately 20.02% of the equity interests in Beijing Kailan to be disposed by the Vendor to the Purchaser pursuant to the Disposal Agreement
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Jubilee Star Limited (禧星有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Working Day”	means a day which (other than a Saturday or a Sunday or a public holiday) on which banks in the PRC are generally open for normal banking business
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 30 September 2013

As at the date of this announcement, the Board comprises eight Directors, of which four are executive Directors, namely, Deacon Te Ken Chiu, J.P., Mr. Derek Chiu, Mr. Richard Yen and Mr. Ip Ngai Sang, one is non-executive Director, namely, Mr. Desmond Chiu; and three are independent non-executive Directors, namely, Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1:HK\$1.2673. No representation is made that any amount in RMB could have been or could be converted into Hong Kong dollars at such an exchange rate or any other exchange rates.

** For identification purpose only*