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## PROPOSED DISPOSAL OF 5% INTERESTS IN YICHANG PROJECT

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### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of China International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refer to the announcement made by the Company on 8 May 2017 in relation to the joint venture with an interested person.

The Board wishes to announce that CIHL (Tianjin) City Development Limited, a wholly-owned subsidiary of the Company, (the “**Vendor**”) has on 7 May 2017, entered into a binding and conditional sale and purchase agreement (the “**Agreement**”) with Beijing Hongkunweiye Property Development Co. Ltd (北京鴻坤偉業房地產開發有限公司) (the “**Purchaser**”) in relation to the disposal of 5% of its equity and debt interests in its subsidiary, the Beijing Kaiyuan Wanjia Management Consulting Company Limited (the “**Target Company**”) to the Purchaser (the “**Sale Shares**”), for an aggregate cash consideration of RMB27 million (“**Consideration**”) (equivalent to approximately S\$5.49 million) (the “**Proposed Disposal**”). Further details of the principal terms of the Agreement are set out in this announcement.

### 2. DETAILS OF THE PROPOSED DISPOSAL

#### 2.1 Information on the Purchaser

The Purchaser is a limited liability company established in Beijing, the People’s Republic of China on 20 August 2002 and is engaged in the business of property management, as well as residential, commercial, industrial, cultural and tourism property development in Tianjin, Beijing, Hebei and Hainan. The directors and shareholders of the Purchaser are parties unrelated to the Company, its directors and controlling shareholders.

#### 2.2 Information on the Target Company

The Target Company is a limited liability company established in the People’s Republic of China on 13 September 2006. As at the date of this announcement, the Vendor holds 55% of the entire registered capital of RMB4.444 million in the Target Company.

Yichang Xinshougang Property Development Company Limited (“**YXSG**”) is wholly-owned by the Target Company. YXSG holds the land use right to a land parcel located in Meiziya village, Xiaoxita, Yiling District, Yichang City, Hubei Province, the PRC, which has a total site area of 587,726 square metres (the “**Project Land**”). On the Project Land, YXSG is currently developing residential units, commercial units, the Yichang Convention Centre and the Yichang Hotel. (the “**Yichang Project**”) The 55% interests in YXSG indirectly held by the Company was acquired on 16 September 2013. Please refer to the circular despatched by the Company on 24 July 2013 and an announcement released on 16 September 2013 for details on the Yichang Project.

Pursuant to the Agreement, the Purchaser agreed to purchase and the Group agreed to dispose by transferring to the Purchaser (i) the sum of RMB14.88 million for the Sale Shares, and (ii) the debt owing by the Target Company and YXSG to the Group in the sum of RMB12.12 million, comprising outstanding Vendor's loan of RMB5.90 million and RMB6.22 million to the Target Company and YXSG respectively.

Following completion of the Proposed Disposal, as the Sale Shares represent 5% interests in the Target Company, the Group will consequently hold in aggregate 50% interests in the Target Company. Accordingly, the Target Company will cease to be a subsidiary of the Company, and become an associated company, which is defined under the Listing Manual as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

### **3. PRINCIPAL TERMS OF THE AGREEMENT**

#### **3.1 Consideration**

The Consideration for the Project Disposal shall be an aggregate sum of RMB27 million which was arrived at after arm's length negotiations between the Vendor and the Purchaser, on a willing buyer and willing seller basis, after taking into account the following factors:

- (a) the current market valuation of the land use rights;
- (b) the potential profits upon completion of the Yichang Project;
- (c) the cost of funds incurred by the Group and to be incurred by the Purchaser;
- (d) the benefits from the strategic participation of Purchaser in the Target Company; and
- (e) the adjusted net tangible assets of the Group.

The Consideration shall be satisfied in cash in Renminbi, and will be paid in 3 business days after the completion date.

#### **3.2 Conditions precedent**

The obligation of the parties under the Agreement to complete the Proposed Disposal are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before completion:

- 3.2.1 the results of the due diligence exercise having been conducted and completed by the Purchaser and/or its advisors being satisfactory to the Purchaser; and
- 3.2.2 all approvals, waivers and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under this Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being acceptable to the Company.

#### **3.3 Representations and warranties**

Pursuant to the terms of the Agreement, the parties have furnished to each other various representations and warranties customary for transactions of a similar nature such as the Proposed Disposal.

#### **4. RATIONALE FOR PROPOSED DISPOSAL**

The Company has been experiencing a slowdown in property sales in the Yichang Project since its acquisition in 2013. As stated in the Company's FY2016 annual report, the Company expects the Chinese economy to remain challenging. The property market in first tier cities and to some extent, second tier cities in the PRC have benefited from the decrease in mortgage rates. However, the lower mortgage rates have yet to benefit third tier cities such as Yichang. The easing of monetary policy has not made it easier to raise capital. Accordingly, the difficulties in raising capital have affected the pace of development of many projects, the Yichang Project included.

Given the Purchaser is an established real estate developer in PRC, the Proposed Disposal will allow the Target Company to leverage on the Purchaser's resources, and enjoy economies of scale in the planning, construction, and marketing of the remaining phases in the development of the Yichang Project.

Further, the Proposed Disposal provides an opportunity for the Company to realise the capital value of the Project, which will reduce the debts and increase the financial strength of the Group.

Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company and the Shareholders, having regard to the terms of the Proposed Disposal, and the uncertain market in the challenging property industry.

#### **5. USE OF PROCEEDS**

- 5.1 The net proceeds from the Proposed Disposal, after deducting all costs and expenses are estimated to be approximately RMB24.65 million.
- 5.2 The Company intends to use the net proceeds to repay the Group's outstanding debts and strengthen the financial position of the Group, and allow it to focus its resources on future business opportunities for the Company to achieve its aim to increase shareholder value.

#### **6. VALUE OF THE PROPOSED DISPOSAL**

##### **6.1 Book Value and Net Asset Value**

Based on the latest announced consolidated audited financial statement of the Group for the twelve months ended 31 December 2016, the book value of the Target Company was RMB190.21 million and the book value of the Sale Shares was RMB9.51 million.

##### **6.2 Net Loss**

Based on the latest announced consolidated audited financial statement of the Group for the twelve months ended 31 December 2016, the audited net loss before tax and minority interests attributable to the Sale Shares is RMB2.45 million.

##### **6.3 Gain on Disposal**

The Consideration represents a gain over the book value of the Sale Shares and the amount of gain from the Proposed Disposal is estimated to be RMB3.02 million having taken into account the estimated incidental costs.

## 6.4 Valuation

No independent valuation was performed in respect of the Sale Shares.

## 7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

### 7.1 General

The proforma financial effects of the Proposed Disposal on the net tangible assets (“NTA”) per share and the earnings per share (“EPS”) of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2016. The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after completion.

### 7.2 NTA

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the Group’s NTA per share, assuming that the Proposed Disposal had been completed on 31 December 2016, being the end of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
NTA (RMB’000)	319,641	322,656 <sup>(2)</sup>
Number of Shares <sup>(1)</sup>	51,230,187	51,230,187
NTA per Share (RMB)	6.239	6.298

#### Notes:

(1) Based on the number of issued Shares (excluding treasury shares) as at 31 December 2016.

(2) The NTA has been determined after taking into account the net proceeds to be received, after deducting the estimated transaction expenses.

### 7.3 EPS

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the consolidated earnings of the Group, assuming that the Proposed Disposal had been completed on 1 January 2016, being the beginning of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
Profit attributable to the owners of the Company (RMB’000)	64,182	67,197 <sup>(2)</sup>
Number of Shares <sup>(1)</sup>	51,230,187	51,230,187
EPS (RMB)	125.28	131.17

#### Notes:

(1) Based on the number of issued Shares (excluding treasury shares) as at 31 December 2016.

(2) The losses attributable to the owners of the Company has been determined after deducting the estimated transaction expenses.

## 8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

8.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value <sup>(1)</sup>	2.80%
(b)	Net profits attributable to the assets to be disposed of, compared with the Group's net profits <sup>(2)</sup>	-4.14%
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares <sup>(3)</sup>	18.95%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to disposal of assets

### Notes:

- (1) Based on the net asset value of the Sale Shares and the net asset value of the Group as at 31 December 2016 being RMB9.51 million and RMB340.016 million respectively.
- (2) Based on the net loss of the Sale Shares and the net profit of the Group for the 12 month period ended 31 December 2016 being RMB2.453 million and RMB59.297 million respectively.
- (3) Based on the consideration of RMB27 million and market capitalisation of the Company of RMB142.446 million, which is determined by multiplying the issued share capital of the Company of 51,230,187 Shares in issue with the weighted average price of S\$0.565 transacted on the Mainboard of SGX-ST on 5 May 2017 (being the last market day for which the Shares were traded prior to the day the Agreement was entered into) and based on an exchange rate of S\$1: RMB4.9223.

8.2 Rule 1007(1) of the Listing Manual provides that where any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 may still be applicable to the transaction at the discretion of the SGX-ST. Given the Sale Shares are loss-making, the relative figure under Rule 1006 (b) of the Listing Manual is negative. Accordingly the Company will be submitting a written application to the SGX-ST to obtain a confirmation that the Proposed Disposal constitutes a "discloseable transaction" as defined in Chapter 10 of the Listing Manual.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Disposal.

## 10. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Agreement will be available for inspection during normal business hours at HEP Corporate Services Pte. Ltd., SGX Centre 2, #17-01, 4 Shenton Way Singapore 068807 during normal business hours for a period of three (3) months from the date of this announcement.

**BY ORDER OF THE BOARD  
CHINA INTERNATIONAL HOLDINGS LIMITED**

**Shan Chang**  
**Chairman**  
8 May 2017