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CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF INTERESTS IN 25%-OWNED ASSOCIATE GUANGDONG FINANCIAL LEASING CO., LTD.*

THE DISPOSAL AGREEMENT

The Board is pleased to announce that, on 30 September 2019 (after trading hours), ZCXC and CIH Finance (both wholly-owned subsidiaries of the Company) as the Vendors and the Disposal Target entered into the Disposal Agreement with Nanhai Financial Hi-Tech Holdings as the purchaser in relation to the disposal of the Sale Interest by the Vendors to Nanhai Financial Hi-Tech Holdings at a cash consideration of RMB52,720,000 (equivalent to approximately HK\$57,728,400).

Prior to Completion, the Disposal Target will owe ZCXC approximately RMB157,120,000 (equivalent to approximately HK\$172,046,400). Pursuant to the Disposal Agreement, the Disposal Target will continue to be obliged to repay such Shareholder's Loan to ZCXC following Completion, with the repayment obligation being guaranteed by Nanhai Financial Hi-Tech Holdings.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Disposal Agreement (including the Disposal and the continued loan by ZCXK to the Disposal Group in the form of the outstanding Shareholder's Loan following Completion which was treated as financial assistance by the Group) is more than 25% but less than 75%, the transactions contemplated under the Disposal Agreement constitute a major transaction of the Company and is therefore subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As no Shareholder is materially interested in the transactions contemplated under the Disposal Agreement and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Disposal Agreement, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the Disposal Agreement from Prize Rich Inc., a Shareholder holding 1,222,713,527 issued ordinary shares of the Company (representing 71.41% of its entire issued share capital). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Disposal Agreement.

A circular of the Company containing further details of the transactions contemplated under the Disposal Agreement as required by the Listing Rules is expected to be despatched to the Shareholders on or before 23 October 2019.

As at the date of this announcement, Nanhai Financial Hi-Tech Holdings holds 20% equity interest in Guangdong Sino Rock Tyco Construction Co., Ltd. (廣東中岩泰科建設有限公司), an 80%-owned subsidiary of the Company, and is accordingly a substantial shareholder of the Company's subsidiary and a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Disposal Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) Nanhai Financial Hi-Tech Holdings is a connected person at the subsidiary level; (ii) the Board has approved the Disposal and the transactions contemplated under the Disposal Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal Agreement are fair and reasonable, and the transactions contemplated under the Disposal Agreement are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Disposal Agreement are subject to the reporting and announcement requirements only, and are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that, on 30 September 2019 (after trading hours), ZCXK and CIH Finance (both wholly-owned subsidiaries of the Company) as the Vendors and the Disposal Target entered into the Disposal Agreement with Nanhai Financial Hi-Tech Holdings as the purchaser in relation to the disposal of the Sale Interest by the Vendors to Nanhai Financial Hi-Tech Holdings and the continued loan by ZCXK to the Disposal Group in the form of the outstanding Shareholder's Loan following Completion which was treated as financial assistance by the Group. Set out below is a summary of the principal terms of the Disposal Agreement.

THE DISPOSAL AGREEMENT

Date

30 September 2019 (after trading hours)

The Disposal Agreement will be effective upon the fulfillment of Condition Precedent (ii).

Parties

- (i) ZCXK (as vendor 1);
- (ii) CIH Finance (as vendor 2);
- (iii) Nanhai Financial Hi-Tech Holdings (as purchaser); and
- (iv) the Disposal Target.

Subject-matter of the Disposal

The Sale Interest

The equity-holding structure of the Disposal Target before the Disposal with reference to the registered capital and the currently paid-up capital are illustrated below:

Equity holder(s) of the Disposal Target before the Disposal	Registered capital (RMB)	Percentage
ZCXK	52,500,000 (fully paid-up)	75%
CIH Finance	17,500,000 (unpaid)	25%
Total	70,000,000	100%

Pursuant to the Disposal Agreement, ZCXK and CIH Finance respectively conditionally agreed to sell and Nanhai Financial Hi-Tech Holdings conditionally agreed to purchase the aforementioned 75% and 25% of the Sale Interest held by each of ZCXK and CIH Finance, which together represents the entire equity interest of the Disposal Target.

Shareholder's Loan, bad debts retention and the repayment schedule

Prior to Completion, the Vendors and the Disposal Group will restructure the Intra-group Indebtedness, such that following such restructuring, the Disposal Target alone will owe ZCXK approximately RMB157,120,000 (equivalent to approximately HK\$172,046,400) (the "**Shareholder's Loan**"). Following Completion, the Shareholder's Loan will continue to be owed by the Disposal Target to ZCXK, and will be repaid according to the terms of the Disposal Agreement.

Parties to the Disposal Agreement also agreed that, with respect to payment defaults of certain debtors of Guangdong Financial Leasing in relation to which recovery actions have been instituted ("**Potential Bad Debts**"), if by the date of Completion, any part of such outstanding debts has not been recovered in full, an amount equivalent to 25% of such non-recovered amount (after deducting relevant bad debts provision under the financial statements of Guangdong Financial Leasing as at 31 December 2018) (the "**Bad Debts Retention Amount**") shall be carved out from the Shareholder's Loan, and retained and repaid by the Disposal Target according to the terms of the Disposal Agreement. It is agreed by the parties to the Disposal Agreement that ZCXK shall be entitled to and shall bear any benefits and liabilities in relation to 25% of the said Potential Bad Debts.

Taking into account the aforementioned, the Shareholder's Loan will be repaid by the Disposal Target according to the following repayment schedule:

- (1) an amount equivalent to the Shareholder's Loan amount deducted by the Bad Debts Retention Amount will be repaid by the Disposal Target latest by 31 December 2020, in a maximum of 3 installments (payment intervals to be determined at the sole discretion of the Disposal Target) at a fixed interest rate of 6.125% per annum (accruing from the date of lending of the Shareholder's Loan); and
- (2) in relation to the Bad Debts Retention Amount, for each repayment received by Guangdong Financial Leasing post-Completion, 25% of such payment will be paid by the Disposal Target to ZCXK within the month after the said repayment is recorded in the financial statements of Guangdong Financial Leasing (for the avoidance of doubt, no interest will be payable by the Disposal Target to ZCXK in relation to the Bad Debts Retention Amount).

Following Completion, the obligation of the Disposal Target to repay the Shareholder's Loan (including the Bad Debts Retention Amount) in accordance with the Disposal Agreement will be guaranteed by Nanhai Financial Hi-Tech Holdings. Furthermore, in relation to any proposed subsequent sale of any interests in the Disposal Group, such proposed sale must be conditional upon the proposed subsequent purchaser's unconditional undertaking to honour the Disposal Target's repayment obligation in relation to the Bad Debts Retention Amount, upon which Nanhai Financial Hi-Tech Holdings shall be released from its guaranteed obligations.

Consideration and payment terms

The Sale Interest

The consideration for the Sale Interest in the amount of RMB52,720,000 (equivalent to approximately HK\$57,728,400) shall be paid and satisfied by the Purchaser in cash to the Vendors in full after the fulfillment of all the Conditions Precedent and before 30 November 2019 (unless otherwise agreed).

Basis of determining the consideration and the amount of the Shareholder's Loan

The consideration for the Sale Interest and the amount of the Shareholder's Loan were determined based on arm's length negotiation between the parties and with reference to the valuation by an independent valuer as of 31 December 2018 (which has made reference to the unaudited consolidated financial statements of the Disposal Target for the period from 9 October 2018 to 31 December 2018, assuming completion of the loan restructuring as referred to under the section headed "*The Disposal Agreement – Shareholders' Loan, bad debts retention and the repayment schedule*" of the announcement) of:

- (i) the 25% equity interest in Guangdong Financial Leasing in the amount of approximately RMB209,840,000 (equivalent to approximately HK\$229,774,800);
- (ii) the net assets (owner's equity) of the Disposal Target in the amount of approximately RMB52,720,000 (equivalent to approximately HK\$57,728,400);
- (iii) the loan owed by ZCXK to the Disposal Target as of 31 December 2018 in the amount of RMB52,500,000 (equivalent to approximately HK\$57,487,500);
- (iv) the shareholders' loan owed by CIH Finance Leasing to CIH Finance as of 31 December 2018 in the amount of approximately RMB209,620,000 (equivalent to approximately HK\$229,533,900);
and
- (v) the net shareholders' loan owed by the Disposal Target to the Vendors as of 31 December 2018 in the amount of approximately RMB157,120,000 (equivalent to approximately HK\$172,046,400),

(items (iii) to (v) above, the intra-group loans and borrowings of the Vendors and the Disposal Group (the "**Intra-group Indebtedness**") as of 31 December 2018).

Consolidated profits or losses of the Disposal Group following 1 January 2019

Nanhai Financial Hi-Tech Holdings will be entitled to the benefits of the consolidated profits or losses of the Disposal Group accrued during the period from 1 January 2019 to the date of Completion.

Conditions Precedent

Completion of the Disposal will be subject to the fulfillment of all of the following conditions precedent (the “**Conditions Precedent**”):

- (i) completion of the loan restructuring as referred to under the section headed “*The Disposal Agreement – Shareholder’s Loan, bad debts retention and the repayment schedule*” of this announcement; and
- (ii) the obtaining of the approval of the transactions contemplated under the Disposal Agreement from 佛山市南海區國有資產監督管理局 (State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City*).

Completion

Within 30 business days following the receipt of the consideration for the Sale Interest under the Disposal Agreement, the Vendors and the Disposal Target will proceed with the change of industrial and commercial registration procedures and the change of shareholders registration and filing procedures with the relevant authorities in the PRC. Commencing from the date of completion of such registrations (“**Completion**”), Nanhai Financial Hi-Tech Holdings will become the sole shareholder of the Disposal Target, and the Disposal Group will cease to be subsidiaries and/or associate of the Company.

INFORMATION ON THE DISPOSAL TARGET

The Disposal Target, established in the PRC on 9 October 2018, is principally engaged in finance leasing in the PRC. It is the holding company of the entire equity interest in CIH Finance Leasing, which in turn holds the 25% equity interest in Guangdong Financial Leasing. The original acquisition costs of the Sale Interest is RMB155,000,000 (equivalent to approximately HK\$169,725,000).

According to the unaudited consolidated financial statements of the Disposal Target, the unaudited consolidated net asset value of the Disposal Target was approximately RMB53,720,000 (equivalent to approximately HK\$58,823,400) as at 31 August 2019 and its unaudited consolidated net profits for the period since 9 October 2018 (date of incorporation) and ended 31 August 2019 before and after taxation were both approximately RMB1,220,000 (equivalent to approximately HK\$1,335,900).

INFORMATION ON OTHER PARTIES TO THE DISPOSAL AGREEMENT

The Group is engaged in hotel investment, management and operation, property investments in both properties held for sale and investment properties, wellness elderly care, finance leasing and big data businesses. Through its joint ventures and associates (including Guangdong Financial Leasing prior to Completion), the Group also participates and invests in fastgrowing sectors, including electric utilities, civil explosives and finance leasing in the PRC.

ZCXX, a wholly foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of the Company, is principally engaged in investment holding.

CIH Finance, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, is principally engaged in finance and project investment.

Nanhai Financial Hi-Tech Holdings, a company incorporated in the PRC with limited liability, is principally engaged in the financing, investment, development and management of properties in hi-tech development zones.

FINANCIAL EFFECTS OF THE DISPOSAL TO THE GROUP

Upon Completion, Guangdong Financial Leasing will cease to be an associate of the Group. As a result, its results and assets and liabilities will no longer be equity accounted for in the consolidated financial statements of the Group.

For illustration purpose, the Group is expected to record a loss of approximately HK\$30,195,000 from the Disposal (excluding profit or loss following 1 July 2019), which was estimated based on the total consideration received amounting to RMB209,840,000 (equivalent to approximately HK\$229,775,000), with deduction of the carrying amount of the 25% equity interest in Guangdong Financial Leasing as at 30 June 2019 amounting to HK\$240,019,000, the reclassification of relevant exchange reserve of HK\$18,351,000 to profit or loss and the relevant transaction expenditures totalling HK\$1,600,000 but without deduction of the Bad Debts Retention Amount. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to the final default of the Potential Bad Debts of Guangdong Financial Leasing and share of profit or loss of Guangdong Financial Leasing for the period from 1 July 2019 to the date of Completion, as well as audit, and will be assessed after Completion.

USE OF THE AMOUNT RECEIVED FROM THE DISPOSAL

The amount of the consideration provided by Nanhai Financial Hi-Tech Holdings in respect of the Disposal will be used by the Group in its ordinary course of business.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE DISPOSAL AGREEMENT

Since 2014, through Guangdong Financial Leasing, a 25%-owned associate of the Group, the Group has gradually accumulated experience in the operation and management of financial leasing business. The Group holds an optimistic view on the prospects of the development of financial leasing business in the PRC and in 2017, the Group has established a subsidiary Canton Risen to further develop the said business. In order to avoid the issue of competition in business within the Group and to dedicate management focus and the Group's resources on the development of financial leasing business through Canton Risen, the Group considers the Disposal an appropriate opportunity to realise its investment in Guangdong Financial Leasing.

Since none of the Directors has a material interest in the Disposal, no Director was required to abstain from voting on the resolutions of the Board approving the Disposal. The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal Agreement are fair and reasonable, and the transactions contemplated under the Disposal Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Disposal Agreement (including the Disposal and the continued loan by ZCXK to the Disposal Group in the form of the outstanding Shareholder's Loan following Completion which was treated as financial assistance by the Group) is more than 25% but less than 75%, the transactions contemplated under the Disposal Agreement constitute a major transaction of the Company and is therefore subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As no Shareholder is materially interested in the transactions contemplated under the Disposal Agreement and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Disposal Agreement, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the Disposal Agreement from Prize Rich Inc., a Shareholder holding 1,222,713,527 issued ordinary shares of the Company (representing 71.41% of its entire issued share capital). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Disposal Agreement.

A circular of the Company containing further details of the transactions contemplated under the Disposal Agreement as required by the Listing Rules is expected to be despatched to the Shareholders on or before 23 October 2019.

As at the date of this announcement, Nanhai Financial Hi-Tech Holdings holds 20% equity interest in Guangdong Sino Rock Tyco Construction Co., Ltd. (廣東中岩泰科建設有限公司), an 80%-owned subsidiary of the Company, and is accordingly a substantial shareholder of the Company's subsidiary and a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Disposal Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) Nanhai Financial Hi-Tech Holdings is a connected person at the subsidiary level; (ii) the Board has approved the Disposal and the transactions contemplated under the Disposal Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal Agreement are fair and reasonable, and the transactions contemplated under the Disposal Agreement are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Disposal Agreement are subject to the reporting and announcement requirements only, and are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“Board”	the board of Directors of the Company
“Canton Risen”	廣東粵盛科融資租賃有限公司 (Canton Risen Financial Leasing Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
“CIH Finance”	CIH Finance Investments Holdings Limited (中國興業金融投資控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“CIH Finance Leasing”	CIH Finance Leasing Company Limited (國興融資租賃有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Disposal Target which holds the 25% equity interest in Guangdong Financial Leasing
“Company”	China Investments Holdings Limited (中國興業控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 132)
“Completion”	shall have the meaning as ascribed to it under the section headed “ <i>The Disposal Agreement – Completion</i> ” of this announcement
“Conditions Precedent”	shall have the meaning as ascribed to it under the section headed “ <i>The Disposal Agreement – Conditions Precedent</i> ” of this announcement
“connected person”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Interest by the Vendors to Nanhai Financial Hi-Tech Holdings pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the main disposal agreement dated 30 September 2019 entered into amongst the Vendors, Nanhai Financial Hi-Tech Holdings and the Disposal Target in relation to the Disposal and the continued loan by ZC XK to the Disposal Group in the form of the outstanding Shareholder’s Loan following Completion which was treated as financial assistance by the Group, and its ancillary documents (including the two disposal agreements entered into by each of the Vendors and Nanhai Financial Hi-Tech Holdings in relation to the disposal of their respective portion of the Sale Interest)
“Disposal Group”	the Disposal Target, CIH Finance Leasing and the 25% equity interest in Guangdong Financial Leasing
“Disposal Target”	粵盛科融資租賃(廣州)有限公司 (Canton Risen Financial Leasing (Guangzhou) Co., Ltd*), a company incorporated in the PRC with limited liability and, as at the date of this announcement, an indirect wholly-owned subsidiary of the Company which is held as to 75% by ZC XK and 25% by CIH Finance
“Group”	the Company and its subsidiaries
“Guangdong Financial Leasing”	廣東粵科融資租賃有限公司 (Guangdong Financial Leasing Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect 25%-owned associate of the Disposal Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong

“Inter-group Indebtedness”	shall have the meaning as ascribed to it under the section headed “ <i>The Disposal Agreement – Consideration and payment terms – Basis of determining the consideration and the amount of the Shareholder’s Loan</i> ” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanhai Financial Hi-Tech Holdings”	佛山市南海金融高新區投資控股有限公司 (Foshan City Nanhai Financial Hi-Tech Zone Investment Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in the Disposal Target owned by the Vendors (75% by ZCXX and 25% by CIH Finance) and to be acquired by Nanhai Financial Hi-Tech Holdings pursuant to the terms of the Disposal Agreement
“Shareholder’s Loan”	shall have the meaning as ascribed to it under the section headed “ <i>The Disposal Agreement – Shareholder’s Loan, bad debt retention and the repayment schedule</i> ” of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	ZCXX and CIH Finance

“ZCXK” 中創興科(深圳)投資有限公司 (Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited*), a wholly foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of the Company

“%” per cent

By Order of the Board
China Investments Holdings Limited
HE Xiangming
Chairman

Hong Kong, 30 September 2019

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. HE Xiangming (Chairman), Mr. LIN Pingwu (Managing Director), Mr. YOU Guang Wu (Director), Mr. HUANG Zhihe (Deputy Managing Director) and Ms. WANG Xin (Deputy Managing Director) and three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.095. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

* For identification purpose only