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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF PARTIAL INTEREST IN GUANGDONG SINO ROCK TYCO CONSTRUCTION CO., LTD.*

Reference is made to the announcement of the Company dated 16 November 2017 and the circular of the Company dated 19 December 2017 in relation to the entering into of the JV Documentation by CIH Finance (a wholly-owned subsidiary of the Company) and Nanhai Financial Hi-Tech Holdings for the establishment of Sino Rock Tyco, an 80-20 joint venture company with CIH Finance holding 80% of its equity interest. Pursuant to the JV Documentation, CIH Finance has a Sale Option entitling it to, inter alia, require Nanhai Financial Hi-Tech Holdings to acquire from it 8% of its equity interest in Sino Rock Tyco in the second year of establishment of Sino Rock Tyco.

To effect the exercise of the Sale Option, on 4 December 2019, CIH Finance as vendor and Nanhai Financial Hi-Tech Holdings as purchaser entered into the Disposal Agreement in relation to the disposal of the Sale Interest by CIH Finance to Nanhai Financial Hi-Tech Holdings at the consideration of RMB84,892,886.65 (equivalent to approximately HK\$94,400,890).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement calculated under Chapter 14 of the Listing Rules exceed 5% but all the applicable percentage ratios are less than 25%, the transactions contemplated under the Disposal Agreement constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Nanhai Financial Hi-Tech Holdings holds 20% equity interest in Sino Rock Tyco, an 80%-owned subsidiary of the Company, therefore, Nanhai Financial Hi-Tech Holdings is 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.

Reference is made to the announcement of the Company dated 16 November 2017 and the circular of the Company dated 19 December 2017 in relation to the entering into of the JV Documentation by CIH Finance (a wholly-owned subsidiary of the Company) and Nanhai Financial Hi-Tech Holdings for the establishment of Sino Rock Tyco, an 80-20 joint venture company with CIH Finance holding 80% of its equity interest. Pursuant to the JV Documentation, CIH Finance has a Sale Option entitling it to, inter alia, require Nanhai Financial Hi-Tech Holdings to acquire from it 8% of its equity interest in Sino Rock Tyco in the second year of establishment of Sino Rock Tyco.

To effect the exercise of the Sale Option, on 4 December 2019, CIH Finance as vendor and Nanhai Financial Hi-Tech Holdings as purchaser entered into the Disposal Agreement in relation to the disposal of the Sale Interest by CIH Finance to Nanhai Financial Hi-tech Holdings. Set out below is a summary of the principal terms of the Disposal Agreement.

THE DISPOSAL AGREEMENT

Date

4 December 2019

The Disposal Agreement will be effective upon the obtaining of all necessary approvals of the transactions contemplated under the Disposal Agreement from the relevant authorities and parties. As at the date of this announcement, all such approvals have been obtained.

Parties

- (i) CIH Finance, a wholly-owned subsidiary of the Company (as vendor); and
- (ii) Nanhai Financial Hi-Tech Holdings (as purchaser).

Subject-matter of the Disposal

Pursuant to the Disposal Agreement, CIH Finance agreed to sell and Nanhai Financial Hi-Tech Holdings agreed to purchase the Sale Interest, representing 8% of the equity interest in Sino Rock Tyco.

The equity-holding structures of Sino Rock Tyco both before and after the Disposal with reference to its fully-paid up registered capital are illustrated below:

(a) Before the Disposal

Equity holder(s) of Sino Rock Tyco before the Disposal	Registered capital (RMB)	Percentage
CIH Finance	728,000,000 (fully paid-up)	80%
Nanhai Financial Hi-Tech Holdings	182,000,000 (fully paid-up)	20%
Total	<u>910,000,000</u>	<u>100%</u>

(b) After the Disposal

Equity holder(s) of Sino Rock Tyco after the Disposal	Registered capital (RMB)	Percentage
CIH Finance	655,200,000 (fully paid-up)	72%
Nanhai Financial Hi-Tech Holdings	254,800,000 (fully paid-up)	28%
Total	<u>910,000,000</u>	<u>100%</u>

Following the Disposal, the Company will hold 72% of the equity interest in Sino Rock Tyco. Accordingly, Sino Rock Tyco will continue to be an indirect subsidiary of the Company, and be accounted for and consolidated in the audited consolidated accounts of the Company.

Consideration and payment terms

The consideration for the Sale Interest in the amount of RMB84,892,886.65 (equivalent to approximately HK\$94,400,890) shall be paid and satisfied by Nanhai Financial Hi-Tech Holdings in cash to CIH Finance in full before 13 December 2019.

Basis of determining the consideration

The consideration for the Sale Interest was determined based on the terms of the Sale Option following arm's length negotiation between the parties with reference to the valuation by an independent valuer as of 30 June 2019 of the value of the equity interest in Sino Rock Tyco in the amount of RMB1,038,021,500 (equivalent to approximately HK\$1,154,279,908) and the internal rate of return agreed under the JV Documentation.

Profits or losses of Sino Rock Tyco following 30 June 2019

CIH Finance and Nanhai Financial Hi-Tech Holdings will share the benefits of the profits or losses of Sino Rock Tyco accrued during the period from 30 June 2019 to the date of change of industrial and commercial registration in the form of dividends distributed in proportion with their respective pre-Disposal shareholdings.

Change of industrial and commercial registration

Within 30 days following the entering into of the Disposal Agreement, Sino Rock Tyco shall complete the necessary change of industrial and commercial registration procedures with the relevant authorities in the PRC.

INFORMATION ON SINO ROCK TYCO

Sino Rock Tyco, established in the PRC on 17 November 2017, is principally engaged in property investment, development, construction, operation and management.

The financial information of Sino Rock Tyco for the year ended 31 December 2018 and the ten months ended 31 October 2019 are set out below:

	For the year ended 31 December 2018 (Audited) RMB	For the ten months ended 31 October 2019 (Unaudited) RMB
Net profits before taxation	70,789,000	67,380,000
Net profits after taxation	<u>53,078,000</u>	<u>50,245,000</u>

As at 31 October 2019, the unaudited net asset value of Sino Rock Tyco was approximately RMB1,013,331,000 (equivalent to approximately HK\$1,126,824,000).

INFORMATION ON THE PARTIES TO THE DISPOSAL AGREEMENT

The Company is listed on the Main Board of the Stock Exchange. The Group is principally 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, the Group also participates and invests in fastgrowing sectors, including electric utilities, civil explosives and finance leasing in the PRC.

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. Nanhai Financial Hi-Tech Holdings is wholly-owned by 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*), an administrative and policy-making arm of the Nanhai government, Foshan City.

FINANCIAL EFFECT OF THE DISPOSAL TO THE GROUP

Following the Disposal, the Company will hold 72% of the equity interest in Sino Rock Tyco. Accordingly, Sino Rock Tyco will continue to be an indirect subsidiary of the Company, and be accounted for and consolidated in the audited consolidated accounts of the Company.

For illustration purpose, the Group is expected to record a loss of approximately HK\$566,110 from the Disposal, which was estimated based on the total consideration to be received amounting to RMB84,892,886.65 (equivalent to approximately HK\$94,400,890), with deduction of the carrying amount of Sale Interest as at 30 June 2019 amounting to approximately HK\$90,145,392, the reclassification of relevant exchange reserve of HK\$3,496,000 to profit or loss and the relevant transaction expenditures and taxation totalling approximately HK\$1,911,000, which included the loss caused by the depreciation of RMB resultant from USD based financing which was not foreseen when estimating the original costs of investment.

For the financial position of the Company, the cash and cash equivalent of the assets will be increased by HK\$92,490,000, the non-controlling interests will be increased by HK\$89,560,000 and the exchange reserve will be increased by HK\$3,496,000.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ENTERING INTO OF THE DISPOSAL AGREEMENT

As disclosed under the announcement of the Company dated 16 November 2017 and the circular of the Company dated 19 December 2017, when Sino Rock Tyco was first established, the contribution made by CIH Finance to the registered capital of Sino Rock Tyco was funded through bank borrowings, which is repayable in December 2019. The Group intends to repay part of such bank borrowings by the net proceeds received from the exercising the Sale Option under the JV Documentation, i.e. the Disposal. The Group has no present intention to exercise the Sale Option in relation to its remaining 72% equity interest in Sino Rock Tyco, as the Group sees its participation in industrial parks development in the Nanhai region an invaluable investment opportunity.

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 one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement calculated under Chapter 14 of the Listing Rules exceed 5% but all the applicable percentage ratios are less than 25%, the transactions contemplated under the Disposal Agreement constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Nanhai Financial Hi-Tech Holdings holds 20% equity interest in Sino Rock Tyco, an 80%-owned subsidiary of the Company, therefore, Nanhai Financial Hi-Tech Holdings is 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
“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
“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)
“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 CIH Finance to Nanhai Financial Hi-Tech Holdings pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 4 December 2019 entered into between CIH Finance and Nanhai Financial Hi-Tech Holdings in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“JV Documentation”	the joint venture agreement in relation to the establishment of Sino Rock Tyco and the articles of association of Sino Rock Tyco executed by CIH Finance and Nanhai Financial Hi-Tech Holdings on 16 November 2017
“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”	8% equity interest in Sino Rock Tyco owned by CIH Finance and to be acquired by Nanhai Financial Hi-Tech Holdings pursuant to the terms of the Disposal Agreement

“Sale Option”	the option of CIH Finance to require Nanhai Financial Hi-Tech Holdings (or its designated entity) to acquire from it:
	(a) 8% of its equity interest in Sino Rock Tyco in the second year of the establishment of Sino Rock Tyco; and
	(b) 72% of its equity interest in Sino Rock Tyco in the third year of the establishment of Sino Rock Tyco
“Shareholder(s)”	shareholder(s) of the Company
“Sino Rock Tyco”	廣東中岩泰科建設有限公司 (Guangdong Sino Rock Tyco Construction Co., Ltd.*), a company incorporated in the PRC with limited liability and an 80%-owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

On behalf of
China Investments Holdings Limited
HE Xiangming
Chairman

Hong Kong, 4 December 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\$1.112. 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