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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 TRANSACTION DESIGN, PROCUREMENT AND CONSTRUCTION CONTRACT

The Board is pleased to announce that on 10 July 2023, upon the successful conclusion of the open tender on the Foshan Public Resources Trading Platform (佛山市公共資源交易信息化綜合平台), Funeng Power has entered into the EPC Agreement with the Successful Bidders, pursuant to which the Successful Bidders have been engaged as the general contractor for the survey, design, procurement and construction works and other incidental services for the Photovoltaic Project. The consideration payable by Funeng Power under the EPC Agreement is RMB33,458,774.40 (equivalent to approximately HK\$36,209,085.66).

As the highest of the applicable percentage ratios for the transactions contemplated under the EPC Agreement exceeds 5% but is less than 25%, the entering into of the EPC Agreement constituted a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

THE EPC AGREEMENT

The Board is pleased to announce that upon the successful conclusion of the open tender on the Foshan Public Resources Trading Platform (佛山市公共資源交易信息化綜合平台), Funeng Power has entered into the EPC Agreement with the successful bidders, Guangdong Sunkwh and Guangzhou Bochuang, the principal terms of which are as follows: -

Date:

10 July 2023

Parties:

- (1) Principal: Funeng Power, a subsidiary of the Company; and
- (2) Successful bidders: Guangdong Sunkwh and Guangzhou Bochuang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Successful Bidders and their ultimate beneficial owners are third parties independent of the Company and its connected persons under the Listing Rules.

Subject matter

The Successful Bidders have been engaged as the general contractor for the survey, design, procurement, turnkey construction, commissioning testing and incidental works for the Photovoltaic Project. Non-essential works may be sub-contracted out by the Successful Bidders with Funeng Power's consent.

It is expected that all works will be completed within 110 calendar days from the date of issuance of the commencement order by Funeng Power.

Consideration

The consideration payable by Funeng Power under the EPC Agreement is estimated to be RMB33,458,774.40 (equivalent to approximately HK\$36,209,085.66), comprising a design fee of RMB237,819.72 (equivalent to approximately HK\$257,368.50), and a construction fee of RMB4.051/Watt (equivalent to approximately HK\$4.384/Watt), which is estimated to be RMB33,220,954.68 (equivalent to approximately HK\$35,951,717.16) based on the construction target output of the plant, subject to adjustments based on the actual post-acceptance testing capacity of the plant.

The final consideration may be adjusted upon completion with reference to factors including any change in construction work, relevant PRC laws and regulatory requirements, the final construction plans and fluctuation in material costs, which is not expected to be significant. The Company will make further announcement (at the time if any actual adjustments are made) if and as required under the Listing Rules.

The consideration amount was determined through open tender process, which involved assessment of factors including the ceiling bid price and discount offered by the Successful Bidders, their relevant experience, the scope of work involved and estimated costs and expenses necessary for the survey, design, procurement and construction of the Photovoltaic Project. In short, the ceiling bid price of RMB34,030,000.00 (equivalent to approximately HK\$36,827,266.00) was determined with reference to the project budget report prepared by an independent professional agency based on its estimate of the project costs and expenses in line with construction market standards. The discount was offered by the Successful Bidders for competitiveness and helped indicate the proficiency of the Successful Bidders in cost-effectively handling the project in view of their work experience relevant to the project scope, which are all factors relevant in assessing a bid.

Payment terms

80 percent of such consideration is expected to be funded through external banking facilities and remaining 20 percent is expected to be funded through internal resources of the Group. Funeng Power will pay to the Successful Bidders the fees in the following manner: -

- (i) Advance payment – 25% of the consideration amount within 7 calendar days upon payment request made by the Successful Bidders;
- (ii) Progress payment – payment shall be made according to the project progress and upon payment request made by the Successful Bidders (to be paid to each of Guangdong Sunkwh and Guangzhou Bochuang respectively): -

Design fee

- a. 80% of the design fee within 7 working days upon payment request made by the Successful Bidders after the Successful Bidders have completed the construction design, which has been approved by Funeng Power and the electric department;
- b. up to 100% of the design fee within 7 working days upon payment request made by the Successful Bidders after the Photovoltaic Project has passed the grid connection check and acceptance.

Construction fee

- a. 70% of the construction fee (advance payment inclusive) within 7 working days after delivery of all the main equipment procured by the Successful Bidders for the Photovoltaic Project and the receipt of corresponding legally valid value-added tax invoice by Funeng Power;
- b. up to 85% of the construction fee (advance payment inclusive) within 7 working days after installation of the components and requirements for grid connection having been met and the receipt of corresponding legally valid value-added tax invoice by Funeng Power;
- c. up to 97% of the construction fee (advance payment inclusive) within one month after the completion of all the works and services required to be conducted by the Successful Bidders specified under the EPC Agreement and the passing of inspection by Funeng Power; and
- d. 3% of the construction fee as a quality guarantee deposit within 7 working days after completion of the overall quality assurance, issuance of the quality commitment letter for the components and receipt of the value-added tax invoices issued by the Successful Bidders.

Performance guarantee

The Successful Bidders have provided guarantees in favour of Funeng Power in form of company professional guarantees for the amount representing 25% of the construction fee (representing approximately RMB8,305,238.67 (equivalent to approximately HK\$8,987,929.29)) as an irrevocable advance payment guarantee and an amount representing 3% of the consideration (representing approximately RMB1,003,763.23 (equivalent to approximately HK\$1,086,272.57)) as a migrant workers' wages guarantee.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC AGREEMENT

The Group operates the Danzao Industry Park, which is a new energy industrial park located in Danzao, Nanhai District, Foshan City, the PRC for leasing to new energy related businesses. By implementing the Photovoltaic Project, the Group can provide clean energy in an environmentally-friendly way to the Danzao Industry Park and will be able to generate income accordingly. Such income from the Danzao Industry Park contributes to the operating income of the Group.

The Group regularly engages contractors through separate tender processes for its construction needs in different projects, including the Danzao Industry Park, from time to time depending on capital expenditure requirements and availability of funds.

The Photovoltaic Project requires expertise in the areas of survey, design, procurement and construction. The principal activities of the Successful Bidders include engineering design, engineering survey and construction works, and the Successful Bidders have substantial experience, competent expertise and a proven track record in these areas of work. It is considered in the interest of Funeng Power to leverage on the expertise of the Successful Bidders, and engage the Successful Bidders for implementing the construction of the Photovoltaic Project under the EPC Agreement.

Having considered the tender responses of the potential contractors through tender, Funeng Power considers that the Successful Bidders are able to provide the necessary services for the survey, design, procurement and construction works for implementing the construction of the Photovoltaic Project under the EPC Agreement.

The Directors consider that the EPC Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE EPC AGREEMENT

Upon completion of the EPC Agreement, the consideration amounting to RMB33,458,774.40 (equivalent to approximately HK\$36,209,085.66) will be paid by the Group. The non-current assets and borrowings of the Group will be increased by RMB33,458,774.40 (equivalent to approximately HK\$36,209,085.66) and RMB26,767,019.52 (equivalent to approximately HK\$28,967,268.53) respectively, and the cash and cash equivalent will be decreased by RMB6,691,754.88 (equivalent to approximately HK\$7,241,817.13) accordingly.

The transaction will have no impact on the profit or loss of the Group.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios for the transactions contemplated under the EPC Agreement exceeds 5% but is less than 25%, the entering into of the EPC Agreement constituted a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in wellness elderly care, finance leasing, property investments in both properties held for sale and investment properties, big data, civil explosives, hotel investment, management and operation businesses. Through its joint ventures and associated companies, the Group also participates and invests in fast growing sectors, including electric utilities in the PRC.

Funeng Power

Funeng Power is principally engaged in power generation and supply.

Guangdong Sunkwh

Guangdong Sunkwh is principally engaged in the construction, installation, operation and maintenance of photovoltaic projects, photovoltaic project investments, contractual energy management and technological consultancy and promotion of energy-saving technology. Guangdong Sunkwh is directly owned as to 70% by Zheng Minglin (鄭明林), 20% by Foshan Guangli Enterprise Management Consulting Partnership* (佛山光力企業管理諮詢合夥企業), a limited partnership, and 10% by Zhang Chunli (張春麗). Foshan Guangli Enterprise Management Consulting Partnership* is directly owned as to 85% by Zheng Minglin (鄭明林), 5% by Gao Zhenhua (高振華), 5% by Tan Jianxiong (譚健雄) and 5% by Pan Yongzhong (潘永忠).

Guangzhou Bochuang

Guangzhou Bochuang is principally engaged in construction design and construction costs consultancy. Guangdong Bochuang is directly owned as to 70% by Wang Zhihong (王志紅) and 30% by Ji Shaoxian (紀少賢).

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
“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)
“Director(s)”	the director(s) of the Company
“EPC Agreement”	the engineering design, procurement and construction agreement dated 10 July 2023 entered into between Funeng Power and the Successful Bidders for the survey, design, procurement and construction works and other incidental services in relation to the Photovoltaic Project
“Funeng Power”	Guangdong Province Funeng Power Co., Ltd.* (廣東省賦能電力有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guangdong Sunkwh”	Guangdong Sunkwh Energy Co., Ltd.* (廣東光合新能源有限公司), a company incorporated in the PRC with limited liability
“Guangzhou Bochuang”	Guangzhou Bochuang Electric Power Design Institute Co., Ltd.* (廣州博創電力設計院有限公司), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“MWp”	MegaWattPeak
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Photovoltaic Project”	phase II of the photovoltaic power generation project to construct a self-use distributed photovoltaic power generation system with a capacity of approximately 8.2MWp (adjusted with reference to the actual construction capacity) with the use of multiple factories at Danzao Industrial Park, Nanhai District, Foshan City to achieve the normal operation of the photovoltaic system through a distribution system connected with auxiliary power supply
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Successful Bidders”	Guangdong Sunkwh and Guangzhou Bochuang collectively
“%”	per cent

On behalf of
China Investments Holdings Limited
HE Xiangming
Chairman

Hong Kong, 11 July 2023

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. HE Xiangming (Chairman), Mr. FU Weiqiang (President) and Mr. YOU Guang Wu, one non-executive Director, namely Mr. SHI Xuguang and three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. PENG Xinyu and Ms. LIN Junxian.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at the indicative exchange rate of RMB1 = HK\$1.0822.

* *For identification purpose only*