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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 TRANSACTION CAPITAL CONTRIBUTION TO A PRC CIVIL EXPLOSIVES MANUFACTURER**

#### **THE CAPITAL CONTRIBUTION AGREEMENT**

The Board is pleased to announce that on 28 March 2018 (after trading hours), Nanhai Canmanage, a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Nanhai Lianhua, Nanhai Chemical and the Target Company in relation to the Capital Contribution and the acquisition of the Supplier Target by the Target Company thereafter. Pursuant to the Capital Contribution Agreement, Nanhai Canmanage has agreed to contribute an amount of RMB130,333,102.44 to the capital of the Target Company, for 49% of the enlarged equity interests of the Target Company.

#### **LISTING RULES IMPLICATIONS**

As an applicable percentage ratio in respect of the Capital Contribution Agreement and the transactions of the Group contemplated thereunder is more than 25% but less than 100%, the Capital Contribution Agreement and the transactions of the Group contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

\* *For identification purpose only*

The Sale Option granted to Nanhai Canmanage under the Capital Contribution Agreement constitutes an option under Rule 14.72 of the Listing Rules. As the exercise of the Sale Option is at the discretion of Nanhai Canmanage, pursuant to Rule 14.75(1) of the Listing Rules, on the grant of such option, only the premium will be taken into consideration for the purpose of transaction classification. As no premium is payable for the grant of the Sale Option to Nanhai Canmanage, such grant does not constitute a notifiable transaction of the Company.

A circular containing, among other things, further information on the Capital Contribution Agreement and other information as required under the Listing Rules, and the notice of SGM to consider and, if thought fit, approve the Capital Contribution Agreement, the transactions of the Group contemplated thereunder, and the exercise of the Sale Option is expected to be despatched to the Shareholders on or before 27 April 2018, being more than 15 business days after the publication of this announcement pursuant to Rule 14.60(7) of the Listing Rules, as additional time is required to complete certain information to be included in the circular.

The Board is pleased to announce that on 28 March 2018 (after trading hours), Nanhai Canmanage entered into the Capital Contribution Agreement with Nanhai Lianhua, Nanhai Chemical and the Target Company in relation to the Capital Contribution and the acquisition of the Supplier Target by the Target Company thereafter.

## **THE CAPITAL CONTRIBUTION AGREEMENT**

Set out below is a summary of the principal terms of the Capital Contribution Agreement:

**Date:**

28 March 2018 (after trading hours)

The Capital Contribution Agreement will take effect on the Effective Date, being the date on which the Capital Contribution is approved by Nanhai PAO or the date on which the Capital Contribution Agreement and the transactions of the Group contemplated thereunder are approved by the shareholders of Nanhai Canmanage and/or the Company (whichever is the later).

**Parties:**

- (1) Nanhai Canmanage;
- (2) Nanhai Lianhua;
- (3) Nanhai Chemical; and
- (4) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Target Company, Nanhai Chemical, Nanhai Lianhua and their ultimate beneficial owners are considered third parties independent of the Group and its connected persons.

**The Capital Contribution**

Pursuant to the terms of the Capital Contribution Agreement, Nanhai Canmanage and Nanhai Lianhua will respectively contribute an amount of RMB130,333,102.44 (of which RMB10,000,000 will be contributed to the registered capital of the Target Company and the remaining to its capital reserve) and RMB5,319,718.47 to the capital of the Target Company (of which RMB408,163.27 will be contributed to the registered capital of the Target Company and the remaining to its capital reserve), in return for 49% and 2% of the enlarged equity interests in the Target Company respectively. The equity-holding structures of the Target Company both before and after the Capital Contribution are illustrated below:

<b>Shareholder(s) of the Target Company</b>	<b>Equity- holding before the Capital Contribution</b>	<b>Equity- holding after the Capital Contribution</b>
Nanhai Canmanage	–	49%
Nanhai Lianhua	–	2%
Nanhai Chemical	100%	49%

The Capital Contribution will principally be used for the acquisition of the Supplier Target by the Target Company from Nanhai Chemical as set out in the section headed “*The Capital Contribution Agreement – Acquisition of the Supplier Target by the Target Company*” below, and other purposes in line with the Target Company’s business object.

### **Basis of determining the amount of the capital contribution to be made by Nanhai Canmanage**

The amount of the capital contribution to be made by Nanhai Canmanage was determined after arm’s length negotiations amongst the parties to the Capital Contribution Agreement with reference to, among others:

- (1) the historical financial results and the net asset value of the Target Group as at 31 December 2017;
- (2) the price-to-earnings ratio of comparable companies engaged in the manufacturing and distribution of civil explosives in the PRC; and
- (3) the benefits to be derived by the Group from the entering into of the Capital Contribution Agreement as described under the paragraph headed “*Reasons for and benefits of the entering into of the Capital Contribution Agreement*” below.

### **Timing for the Capital Contribution**

Each of Nanhai Canmanage and Nanhai Lianhua shall pay (i) 50% of their respective capital contribution amount to the Target Company within 25 Business Days after the Effective Date; and (ii) the remaining amount within 25 Business Days after completion of the industrial and commercial registration of changes, registering Nanhai Canmanage and Nanhai Lianhua as shareholders of the Target Company respectively.

## **Conditions to the capital contribution by Nanhai Canmanage to the Target Company**

Capital contribution by Nanhai Canmanage is conditional upon satisfaction of certain Conditions. Major conditions are summarised as follows:

- (1) all relevant consents and approvals for the Capital Contribution having been obtained from governmental departments (including Nanhai PAO), the Target Company (including its board of directors and shareholder) and other parties;
- (2) all necessary consents, authorisations and approvals for the Capital Contribution (including those required under the applicable laws, regulations and/or Listing Rules) having been obtained by Nanhai Canmanage and/or the Company from internal and external authorities and persons;
- (3) the articles of association of the Target Company having been amended in accordance with the relevant terms of the Capital Contribution Agreement, and executed by Nanhai Canmanage, Nanhai Lianhua, Nanhai Chemical and the Target Company respectively;
- (4) with regard the requisite PRC licences for the operation of the Target Group:
  - (a) the Target Company having obtained extension approvals and corresponding extended licences from the relevant governmental departments for the Civil Explosives Production Licence\* (民用爆炸物品生產許可證) (valid until 29 July 2019) and the Production Safety Licence for Civil Explosives (民用爆炸物品安全生產許可證) (valid until 26 April 2018) before such licences expire; and
  - (b) the Supplier Target having obtained extension approvals and corresponding extended licences from the relevant governmental departments for the Guangdong Province Pollutants Discharge Permit\* (廣東省排放污染物許可證) (valid until 4 June 2018) before such licence expires;
- (5) Nanhai Chemical (as the shareholder of the Supplier Target) having passed the necessary shareholder's resolutions approving the transfer of Nanhai Chemical's 100% equity interests in the Supplier Target to the Target Company following completion of the Capital Contribution (as set out in the section headed "*The Capital Contribution Agreement – Acquisition of the Supplier Target by the Target Company*" below); and

- (6) all procedures for the deregistration of Meixian required under the PRC laws having been completed before 31 December 2018.

### **Non-satisfaction of the Conditions and the Sale Option**

If any one of the Conditions cannot be satisfied and Nanhai Canmanage has already made capital contribution to the Target Company pursuant to the terms of the Capital Contribution Agreement set out in the section headed “*The Capital Contribution Agreement – Timing for the Capital Contribution*”, Nanhai Canmanage is entitled to terminate the Capital Contribution Agreement.

If the Capital Contribution Agreement is so terminated,

- (1) the Target Company is required to, within 10 Business Days after such termination, return to Nanhai Canmanage all of the capital contribution amount paid by it (together with interest on such amount at a rate equivalent to the benchmark loan interest rate for an one-year loan offered by the PBOC plus 20%); or
- (2) Nanhai Canmanage may exercise its right to require Nanhai Chemical to acquire all its equity interests in the Target Company with a consideration equivalent to the capital contribution amount paid by Nanhai Canmanage (together with interest on such amount at a rate equivalent to the benchmark loan interest rate for an one-year loan offered by the PBOC plus 20%) (“**Sale Option**”).

The exercise of the Sale Option by Nanhai Canmanage is conditional upon all approvals (if applicable) required under the then applicable Listing Rules and laws having been obtained by Nanhai Canmanage and/or the Company.

## **Acquisition of the Supplier Target by the Target Company**

Within 90 Business Days following completion of the Capital Contribution, Nanhai Chemical is required to enter into an agreement with the Target Company for the transfer of its 100% equity interests in the Supplier Target (which should own the relevant land, factories, equipment and other necessary assets for the production of civil explosives) to the Target Company. In case where Nanhai Chemical fails to complete the aforementioned transfer within 90 Business Days following completion of the Capital Contribution, Nanhai Canmanage is also entitled to exercise the Sale Option.

## **Board Representation**

Pursuant to the Capital Contribution Agreement, Nanhai Canmanage is entitled to nominate two directors to the board of the Target Company, which will consist of five directors in total.

## **Termination of the Capital Contribution Agreement**

As described under the section headed “*The Capital Contribution Agreement – Conditions to the capital contribution by Nanhai Canmanage to the Target Company – Non-satisfaction of the Conditions and the Sale Option*”, Nanhai Canmanage may terminate the Capital Contribution Agreement in certain events.

The Capital Contribution Agreement may also be terminated by Nanhai Canmanage in case Nanhai Chemical and the Target Company fail to complete the change of industrial and commercial registration procedures in relation to the Capital Contribution due to reasons caused by Nanhai Chemical or the Target Company within 90 Business Days following the Effective Date, and if such failure is not remedied after a further 30 Business Days.

If the Capital Contribution Agreement is so terminated, the Target Company shall, within 10 Business Days after such termination, return to Nanhai Canmanage all of the capital contribution amount paid by it (together with interest on such amount at a rate equivalent to the benchmark loan interest rate for an one-year loan offered by the PBOC plus 20%).

## **INFORMATION ON THE TARGET COMPANY AND THE SUPPLIER TARGET**

The Target Company, established in the PRC in 2008, is a State-owned manufacturer and distributor of porous granular ammonium oil explosives (多孔粒狀銨油炸藥), emulsion explosives (乳化炸藥) and industrial detonating cord (工業導爆索). It operates in the Guangdong area of the PRC and holds the requisite PRC licences for its operations. The Gaoyao branch in the Gaoyao District of the PRC leases the whole of the civil explosive manufacturing plant and equipment from the Target Company's sister company, the Supplier Target. As at the date of this announcement, both the Target Company and the Supplier Target are wholly-owned by Nanhai Chemical, which in turn is wholly-owned by Nanhai Lianhua (a State-owned company).

According to the unaudited financial statements of the Target Company, its Gaoyao branch and the Supplier Target, the financial results of each of (i) the Target Company and its Gaoyao branch (on a combined basis) and (ii) the Supplier Target for the three years ended 31 December 2015, 2016 and 2017 were as follows:–

### **(i) The Target Company and Gaoyao (on a combined basis)**

	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	(unaudited)	(unaudited)	(unaudited)
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit before tax	21,912,000	3,453,000	20,006,000
Net profit after tax	16,267,000	2,385,000	15,005,000

*Note 1:* During the three years ended 31 December 2015, 2016 and 2017, the Target Company had two branches, namely, Guangdong Tiannuo Civil Explosives Co., Ltd. Hingning Branch\* (廣東天諾民爆有限公司興寧分公司) (“Hingning”) and Meixian. As at the date of this announcement, the former has already been deregistered, and the deregistration of the latter is expected to be completed following completion of the Capital Contribution. Both Hingning and Meixian do not form part of the subject-matter of the Capital Contribution.

*Note 2:* During the three years ended 31 December 2015, 2016 and 2017, the Target Company, Gaoyao, Hingning and Meixian all had its own accounting books and records, and no combined accounts were available in respect of the entities.

**(ii) The Supplier Target**

	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	(unaudited)	(unaudited)	(unaudited)
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit/(loss) before tax	(3,207,000)	361,000	2,468,000
Net profit/(loss) after tax	(3,451,000)	(248,000)	1,851,000

The net asset value of (i) the Target Company and its Gaoyao branch (on a combined basis) and (ii) the Supplier Target as at 31 December 2017 was RMB15,401,000 and RMB17,364,000 respectively.

The value of the total shareholders’ equity in the Supplier Target (whose assets consist mainly of property) as at 31 December 2017 as indicated by an independent valuation prepared by an independent valuer in the PRC was RMB149,361,528.07.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE CAPITAL CONTRIBUTION AGREEMENT**

According to the Civil Explosives Industry Development Plan (2016-2020)\* (《民用爆炸物品行業發展規劃(2016-2020年)》), it is the standing policy of the State to continually optimise, internationalise and enhance the competitiveness of the explosives industry. New licences for such businesses are considered a valued commodity. As a result, entry barriers are considered relatively high for this industry, giving rise to an oligopolistic market with substantial growth potential.

As mentioned in the annual report of the Company for the year ended 31 December 2016, it is the Group's strategy to identify investment opportunities with potentials for long-term development to further gather the Group's momentum for sustainable business growth. The Company believes that the Target Group and its business hold significant development potential in the civil explosives industry and that the international exposure, established business networks and years of all-rounded business management experience of the Group could enhance the operational efficiency of the Target Group and unlock the potential of its business. The Capital Contribution aligns with the Group's continuing efforts to invest in businesses with long-term development potential and return.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Capital Contribution Agreement and the transactions of the Group contemplated thereunder is more than 25% but less than 100%, the Capital Contribution Agreement and the transactions of the Group contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

The Sale Option granted to Nanhai Canmanage under the Capital Contribution Agreement constitutes an option under Rule 14.72 of the Listing Rules. As the exercise of the Sale Option is at the discretion of Nanhai Canmanage, pursuant to Rule 14.75(1) of the Listing Rules, on the grant of such option, only the premium will be taken into consideration for the purpose of transaction classification. As no premium is payable for the grant of the Sale Option to Nanhai Canmanage, such grant does not constitute a notifiable transaction of the Company.

A circular containing, among other things, further information on the Capital Contribution Agreement and other information as required under the Listing Rules, and the notice of SGM to consider and, if thought fit, approve the Capital Contribution Agreement, the transactions of the Group contemplated thereunder, and the exercise of the Sale Option is expected to be despatched to the Shareholders on or before 27 April 2018, being more than 15 business days after the publication of this announcement pursuant to Rule 14.60(7) of the Listing Rules, as additional time is required to complete certain information to be included in the circular.

## **INFORMATION ON THE OTHER PARTIES TO THE CAPITAL CONTRIBUTION AGREEMENT**

The Group is principally engaged in hotel investment, management and operation, property investments in both properties held for sale and investment properties, and wellness elderly care business. Through its joint ventures and associates, the Group also participates and invests in fast-growing sectors, including the electric utilities as well as, financial leasing in the PRC. Nanhai Canmanage is a wholly-owned subsidiary of the Company and is principally engaged in property investment.

Nanhai Lianhua, a PRC State-owned enterprise, is principally engaged in State-owned assets operation and management in the PRC.

Nanhai Chemical, a company incorporated in the PRC with limited liability, is principally engaged in manufacturing chemicals and chemical products in the PRC.

## **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
“Business Day(s)”	any day(s) other than Saturday(s), Sunday(s) and statutory holiday(s) of the PRC
“Capital Contribution”	the contribution of RMB130,333,102.44 and RMB5,319,718.47 to the capital of the Target Company respectively by Nanhai Canmanage and Nanhai Lianhua pursuant to the terms of the Capital Contribution Agreement

“Capital Contribution Agreement”	the capital contribution agreement dated 28 March 2018 entered into amongst Nanhai Canmanage, Nanhai Lianhua, Nanhai Chemical, and the Target Company in relation to the Capital Contribution
“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: 00132)
“Conditions”	conditions to capital contribution by Nanhai Canmanage to the Target Company under the Capital Contribution Agreement, as described under the section headed “ <i>The Capital Contribution Agreement – Conditions to the capital contribution by Nanhai Canmanage to the Target Company</i> ”
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Capital Contribution Agreement takes effect, which shall be the date on which the Capital Contribution is approved by Nanhai PAO or the date on which the Capital Contribution Agreement and the transactions of the Group contemplated thereunder are approved by the shareholders of Nanhai Canmanage and/or the Company (whichever is the later)
“Gaoyao”	Guangdong Tiannuo Civil Explosives Co., Ltd. Gaoyao Branch* (廣東天諾民爆有限公司高要分公司), a branch of the Target Company in the Gaoyao District of the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Meixian”	Guangdong Tiannuo Civil Explosives Co., Ltd. Meixian Branch* (廣東天諾民爆有限公司梅縣分公司), a branch of the Target Company in the Meixian District of the PRC
“Nanhai Canmanage”	Foshan City Nanhai Canmanage Investments Holdings Limited* (佛山市南海康美投資有限公司), a wholly foreign-owned enterprise incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Nanhai Chemical”	Guangdong Nanhai Chemical Factory Co., Ltd.* (廣東省南海化工總廠有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Nanhai Lianhua
“Nanhai Lianhua”	Foshan City Nanhai District Lianhua Asset Operation & Management Co., Ltd* (佛山市南海區聯華資產經營管理有限公司), a wholly State-owned company incorporated in the PRC with limited liability
“Nanhai PAO”	Office of the Nanhai District of Foshan City Public Assets Administration Commission* (佛山市南海區公有資產管理辦公室)
“PBOC”	The People’s Bank of China (中國人民銀行)
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“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 Option”	has the meaning ascribed to it under the section headed “ <i>The Capital Contribution Agreement – Non-satisfaction of the Conditions and the Sale Option</i> ”

“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Capital Contribution Agreement, the transactions of the Group contemplated thereunder and the exercise of the Sale Option
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier Target”	Guangdong Nanhong Chemical Co., Ltd.* (廣東南虹化工有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Nanhai Chemical
“Target Company”	Guangdong Tiannuo Civil Explosives Co., Ltd.* (廣東天諾民爆有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Nanhai Chemical as at the date of this announcement
“Target Group”	the Target Company, Gaoyao and the Supplier Target
“%”	per cent

On behalf of  
**China Investments Holdings Limited**  
**HE Xiangming**  
*Chairman*

Hong Kong, 28 March 2018

*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 identification purpose only