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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 ENTERING INTO A FINANCE LEASE AS THE LESSOR

On 20 September 2018, Canton Risen, a wholly-owned subsidiary of the Company, entered into the Finance Lease with the Lessees to acquire the ownership of the Assets from the Lessees for RMB40,000,000 which would be leased back to the Lessees for their use and possession for a term of 2 years.

As the applicable percentage ratios for the transactions contemplated under the Finance Lease and the incidental documentation exceed 5% but are less than 25%, the transactions contemplated under the Finance Lease and the incidental documentation constitutes a discloseable transaction for the Company under the Listing Rules.

THE FINANCE LEASE AND THE INCIDENTAL DOCUMENTATION

The Board is pleased to announce that Canton Risen respectively entered into the Finance Lease and the incidental documentation, the principal terms of which are as follows: –

Date:

20 September 2018

Parties:

- (1) Canton Risen, a wholly-owned subsidiary of the Company, as the lessor;
- (2) the Lessees; and
- (3) the Guarantors (in relation to the relevant guarantees).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Lessees, the Guarantors and their ultimate beneficial owners are Independent Third Parties.

Transfer of Assets and consideration

Canton Risen will acquire the unencumbered ownership of the Assets from the Lessees on an "as-is" basis for RMB40,000,000 in cash (equivalent to approximately HK\$45,840,000), payable within 1 month from the date of the Finance Lease to any of the Lessees as the Lessees may decide, pursuant to a transfer agreement entered into between Canton Risen and the Lessees on the date of the Finance Lease.

Such consideration amount was determined following arm's length negotiations by the parties with reference to the original cost of the Assets of RMB50,815,016.06 (equivalent to approximately HK\$58,234,008.40). The consideration is expected to be funded through equity financing and internal resources of the Group.

The consideration amount will be used for making payment for the Assets and providing additional liquidity for the Lessees.

Lease period

Canton Risen will lease back the Assets to the Lessees for their use and possession for a term of 2 years commencing from the day the consideration for the Assets transfer has been paid by Canton Risen. Unless otherwise waived by Canton Risen, the release of payment of the consideration for the Assets transfer by Canton Risen is conditional upon the fulfilment of certain conditions within 1 month from the date of the Finance Lease including, mainly, the satisfactory provision of the relevant guarantees by the Guarantors and payment of guarantee deposit by the Lessees.

Lease payments

Pursuant to the Finance Lease, the total amount of lease payments shall be approximately RMB43,366,553 (equivalent to approximately HK\$49,698,070) (subject to changes of the benchmark interest rate for 2 years RMB loans published by the PBOC from time to time), comprising (a) the lease principal payment of RMB40,000,000 (equivalent to approximately HK\$45,840,000); and (b) the aggregate lease interest of approximately RMB3,366,553 (equivalent to approximately HK\$3,858,070) (subject to changes of the benchmark interest rate for 2 years RMB loans published by the PBOC from time to time). Both the lease principal and the interest shall be payable every three months in eight (8) installments during the lease period with the first installment payable on 18 December 2018.

The lease interest amounts are calculated on the then outstanding lease principal payment amount (being initially the amount of consideration for the Assets transfer paid by Canton Risen) at 56% above the benchmark interest rate for 2 years RMB loans published by the PBOC from time to time (for reference purpose, the prevailing benchmark interest rate for 2 years RMB loans published by the PBOC is 4.75%, and therefore the interest rate is approximately 7.41% p.a. as at the date hereof). Such interest rate was determined after arm's length negotiations between the parties to the Finance Lease by reference to the principal amount of the lease, the expected return of the Finance Lease for the Group and the credit risks associated with the Finance Lease.

The Lessees will facilitate all credit checks by Canton Risen with the central credit appraisal system of the PBOC from time to time.

Termination and purchase option

The Lessees may terminate the Finance Lease provided that all outstanding amounts due thereunder and an early termination compensation fee equivalent to 20 percent of the total outstanding lease interest amount as at the time of the early termination have been settled by the Lessees. All payment obligations of the Lessees towards Canton Risen are joint and several, regardless of whether any of them may have actual possession and/or usage of the Assets. At the end of the lease period or in the event of an early termination of the Finance Lease, subject to the settlement of all outstanding amounts due, the Lessees will have the right to purchase the Assets at the nominal purchase price of RMB100 (equivalent to approximately HK\$115).

Guarantee deposit

The Lessees will pay an interest-free deposit of RMB3,200,000 (equivalent to approximately HK\$3,667,200) to Canton Risen on the same day the consideration for the Assets transfer has been paid by Canton Risen to secure part of their payment obligations under the Finance Lease.

Guarantees

The Guarantors had executed guarantees on the date of the Finance Lease guaranteeing Canton Risen, effectively on a joint and several basis, the due and punctual settlement of any and all amounts payable by the Lessees under the Finance Lease.

Assets pledge

Pursuant to an asset pledge agreement entered into between Canton Risen and the Lessees on 20 September 2018, although the ownership of the Assets shall be transferred to Canton Risen as lessor as part of the Finance Lease, the Assets are treated as security of the payment obligations of the Lessees under the Finance Lease and the Lessees may continue to utilize the Assets during the lease term.

Consultancy agreement

In addition, on 20 September 2018, Canton Risen entered into a consultancy agreement with Lessee 3 whereby Canton Risen has agreed to provide financial consultancy service to Lessee 3 and Lessee 3 has agreed to pay a fee of RMB1,280,000 (equivalent to approximately HK\$1,466,880) to Canton Risen. Such fee was determined after arm's length negotiations between the parties to the Finance Lease by reference to the return of the Finance Lease for the Group as a whole and payable in a lump sum to Canton Risen within three business days (but if the three-business-day period shall lie in between two months, the consultancy fee shall be paid by the end of the earlier month) after Lessee 3 confirms in writing that Canton Risen has completed the provision of consultancy service pursuant to the agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AND THE INCIDENTAL DOCUMENTATION

The entering into of the Finance Lease and the incidental documentation is part of Canton Risen's ordinary and usual course of business which is expected to provide a stable revenue and cashflow to the Group.

The Directors consider that the terms of the Finance Lease and the incidental documentation and the transactions contemplated thereunder are on normal commercial terms which are made on an arm's length basis and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

INFORMATION ON THE ASSETS

The Assets comprised designated equipment for producing rare materials which are used in the Lessees' businesses (the "Assets"). The Lessees will bear any maintenance, taxation and other costs and levies associated with the Assets.

LISTING RULES IMPLICATION

As the applicable percentage ratios for the transactions contemplated under the Finance Lease and the incidental documentation exceed 5% but are less than 25%, the transactions contemplated under the Finance Lease and the incidental documentation constitute a discloseable transaction for the Company under the Listing Rules.

PRINCIPAL BUSINESSES OF THE PARTIES

The Group

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

Canton Risen

Canton Risen is a wholly-owned subsidiary of the Company, which is principally engaged in the provision of finance, including through finance leasing, with an initial focus on government public utility, environmental protection, new energy and telecommunication projects in the PRC.

The Lessees

Lessee 1 is a limited liability company established in the PRC, of which Guarantor 5 through Guarantor 2 is a controlling shareholder, and is principally engaged in the global research and development, production and sales of rare metals, precious metals, high-purity metals and their compounds, handicrafts, devices, parts, high-purity electronic materials, feed additives and raw chemical materials, and the trading of non-ferrous metal materials.

Lessee 2 is a limited liability company established in the PRC, which is a wholly-owned subsidiary of Lessee 1, and is principally engaged in global research and development, sales and storage of ultra-pure materials, solar materials, infrared materials and infrared detector auxiliary production materials, and LED materials and components.

Lessee 3 is a limited liability company established in the PRC, of which Lessee 1 owns 60% equity interests indirectly, is principally engaged in the global research and development, production, binding, sales, marketing and recycling of indium tin oxide, its related materials, by-products and intermediates, and the sales of coating-related materials.

The Guarantors

Guarantor 1 is a limited liability company established in the PRC, which is an indirect non-wholly owned subsidiary of Lessee 1, and is principally engaged in the global research and development, production and sales of semiconductor materials and high-purity materials.

Guarantor 2 is a limited liability company established in the PRC, which is 100% owned by Guarantor 5, and is principally engaged in equity investment and investment consulting services in the PRC.

Guarantor 3 is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of Lessee 1, and is principally engaged in the research and development, production and sales of solar materials, high-tech materials and rare metals in the PRC.

Guarantor 4 is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of Lessee 1, and is principally engaged in the global research and development, production and sales of pigments and provision of relevant technical services and after-sales services, as well as the wholesale and retail sales of pigments and related raw materials.

Guarantor 5 is natural person and a controlling shareholder of Lessee 1.

Guarantor 6 is a natural person and the spouse of Guarantor 5.

DEFINITIONS

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

“Assets”	shall have the meaning as disclosed in the section headed “INFORMATION ON THE ASSETS” in this announcement
“Board”	the board of Directors of the Company
“Canton Risen”	Canton Risen Financial Leasing Co., Ltd.* (廣東粵盛科融資租賃有限公司), a company incorporated in the PRC 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 persons”	shall have the meaning as ascribed to it under the Listing Rules

“controlling shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Finance Lease”	the finance lease agreement dated 20 September 2018 entered into between Canton Risen and the Lessees
“Group”	the Company and its subsidiaries
“Guarantor 1”	being a company incorporated in the PRC and an Independent Third Party
“Guarantor 2”	being a company incorporated in the PRC and an Independent Third Party
“Guarantor 3”	being a company incorporated in the PRC and an Independent Third Party
“Guarantor 4”	being a company incorporated in the PRC and an Independent Third Party
“Guarantor 5”	a PRC individual and an Independent Third Party
“Guarantor 6”	a PRC individual and an Independent Third Party
“Guarantors”	collectively, Guarantor 1, Guarantor 2, Guarantor 3, Guarantor 4, Guarantor 5 and Guarantor 6
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong

“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Group and any Director, chief executive or substantial shareholder of the Group or any of its subsidiaries or the respective associate of any of them as defined in the Listing Rules
“Lessee 1”	being a company incorporated in the PRC and an Independent Third Party
“Lessee 2”	being a company incorporated in the PRC and an Independent Third Party
“Lessee 3”	being a company incorporated in the PRC and an Independent Third Party
“Lessees”	collectively, Lessee 1, Lessee 2 and Lessee 3
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China
“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
“%”	per cent

On behalf of
China Investments Holdings Limited
HE Xiangming
Chairman

Hong Kong, 24 September 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 the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.146. 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*