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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 ENTERING INTO THE FINANCE LEASES AS THE LESSOR

On 19 May 2020, Canton Risen, a subsidiary of the Company, entered into the Finance Leases with the Lessees, to acquire the ownership of the Assets from the Lessees for an aggregate consideration of RMB140,000,000 (equivalent to approximately HK\$152,740,000), which would be leased back to the Lessees for their use and possession for a term of 5 years.

Reference is made to the announcement of the Company dated 11 May 2020 in relation to the entering into of the Existing Finance Lease and Incidental Documentation, which was itself a discloseable transaction of the Company under the Listing Rules. As all of the Lessees of the Finance Leases are the same parties as those in the Existing Finance Lease and Incidental Documentation, the transactions contemplated under the Finance Leases are required to be aggregated with the transactions under the Existing Finance Lease and Incidental Documentation pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Finance Leases and the Incidental Documentation, when calculated on an aggregated basis with the transactions under the Existing Finance Lease and Incidental Documentation, exceed 25% but are less than 100%, the entering into of such transactions constitute a major transaction for the Company under the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

As no Shareholder is materially interested in the Finance Leases and the Incidental Documentation and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Finance Leases and the Incidental Documentation, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the Finance Leases and the Incidental Documentation 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 Finance Leases and the Incidental Documentation.

A circular containing further information on the Finance Leases and the Incidental Documentation is expected to be despatched to the Shareholders on or before 9 June 2020.

THE FINANCE LEASES AND THE INCIDENTAL DOCUMENTATION

The Board is pleased to announce that Canton Risen entered into the Finance Leases and the Incidental Documentation, the principal terms of which are as follows:–

Date of the Finance Leases:

19 May 2020

The Finance Leases would be effective upon compliance of the applicable requirements of the Listing Rules by the Company.

Parties:

- (1) Canton Risen, a subsidiary of the Company, as the lessor; and
- (2) the Lessees.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Lessees and their ultimate beneficial owner 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 RMB110,000,000 (equivalent to approximately HK\$120,010,000) and RMB30,000,000 (equivalent to approximately HK\$32,730,000) respectively in cash and, payable within 1 month from the date of the Finance Leases to any of the Lessees as the Lessees may decide pursuant to both the Finance Leases and the incidental transfer agreements. The transfer agreements for Finance Lease No. 1 and Finance Lease No. 2 were entered into between Canton Risen and the Lessees on the date of the Finance Leases, effecting the terms of the Finance Leases in relation to the transfer of the Assets from the Lessees to Canton Risen above.

Such consideration amount was determined following arm’s length negotiations by the parties with reference to the original costs of Asset 1 and Asset 2 of RMB116,719,226 (equivalent to approximately HK\$127,340,676) and RMB32,604,954 (equivalent to approximately HK\$35,572,005) respectively, and their state, which were reviewed by Canton Risen’s experienced leasing team. The consideration amount for the acquisition of the Assets will be funded through the internal resources of the Group and/or external banking facilities.

Lease period

Canton Risen will lease back the Assets to the Lessees for their use and possession for a term of 5 years commencing from the day the consideration for the Assets transfer has been paid by Canton Risen.

Payments under the Finance Leases

In respect of Finance Lease No. 1, the total amount of lease payments is approximately RMB139,275,785 (equivalent to approximately HK\$151,949,881), comprising (a) the lease principal payment of RMB110,000,000 (equivalent to approximately HK\$120,010,000) and (b) the aggregate lease interest and other fees and expenses under the Incidental Documentation of approximately RMB29,275,785 (equivalent to approximately HK\$31,939,881). Both the lease principal and the interest shall be payable every three months in twenty (20) installments during the lease period in which the first installment is expected to be payable on 18 July 2020.

In respect of Finance Lease No. 2, the total amount of lease payments is approximately RMB37,984,305 (equivalent to approximately HK\$41,440,877), comprising (a) the lease principal payment of RMB30,000,000 (equivalent to approximately HK\$32,730,000) and (b) the aggregate lease interest and other fees and expenses under the Incidental Documentation of approximately RMB7,984,305 (equivalent to approximately HK\$8,710,877). Both the lease principal and the interest shall be payable every three months in twenty (20) installments during the lease period in which the first installment is expected to be payable on 18 July 2020.

The terms of the Finance Leases, including the lease principals, lease interests, and other fees and expenses under the Incidental Documentation, were determined after arm's length negotiations between the parties to the Finance Leases with reference to the principal amount of the leases, the interest risk of financing, the loan prime rate published by the National Interbank Funding Center from time to time, the credit risks associated with the Finance Leases and the targeted overall return of the Finance Leases of the Group.

Termination and purchase option

The Lessees may terminate the Finance Leases provided that all outstanding amounts due thereunder and a compensation equivalent to 20 percent of the total outstanding lease interest amount as at the time of early termination have been settled by them. 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 Leases, subject to the settlement of all outstanding amounts due, the Lessees will have the right to purchase the Assets at a nominal purchase price of RMB100 each (equivalent to approximately HK\$109.1).

Guarantee deposits

The Lessees will pay interest-free deposits of RMB2,200,000 (equivalent to approximately HK\$2,400,200) and RMB600,000 (equivalent to approximately HK\$654,600) to Canton Risen on the same day the consideration for the Assets transfer has been paid by Canton Risen to secure their payment obligations under Finance Lease No. 1 and Finance Lease No.2 respectively.

Pledges

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

Kangda Investment (Hong Kong) Company Limited and Lessee 1 had both executed share pledge agreements, pledging all the shareholding interests (representing SGD3,780,000 (equivalent to approximately HK\$20,672,820) and RMB5,000,000 (equivalent to approximately HK\$5,455,000)) and equity derivatives of Lessee 1 and Lessee 2 respectively in favour of Canton Risen for a term of 5 years.

Additionally, Lessee 1 and Lessee 2 had executed pledge agreements in favour of Canton Risen, pledging their rights in receivables under the sewage treatment plant franchise agreements of Zihe Sewage Treatment Plant, Qicheng Sewage Treatment Plant and Qidu Sewage Treatment Plant, and Qingzhou City Sewage Treatment Plant respectively, as security of the Lessees' payment obligations under the Finance Leases.

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

The entering into of the Finance Leases 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 Finance Leases 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

Both Asset 1 and Asset 2 comprise sewage treatment facilities situated in Shandong Province.

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 Leases and the Incidental Documentation, when calculated on an aggregated basis with the transactions under the Existing Finance Lease and Incidental Documentation, exceed 25% but are less than 100%, the entering into of such transactions constitute a major transaction for the Company under the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

As no Shareholder is materially interested in the Finance Leases and the Incidental Documentation and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Finance Leases and the Incidental Documentation, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the Finance Leases and the Incidental Documentation 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 Finance Leases and the Incidental Documentation.

A circular containing further information on the Finance Leases and the Incidental Documentation is expected to be despatched to the Shareholders on or before 9 June 2020.

PRINCIPAL BUSINESSES OF THE PARTIES

The Group

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 fast growing sectors, including electric utilities, civil explosives and finance leasing in the PRC.

Canton Risen

Canton Risen is a 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 and is principally engaged in sewage treatment in Zibo City, Shandong Province.

Lessee 2 is a limited liability company established in the PRC and is principally engaged in sewage treatment in Qingzhou City, Shandong Province.

Lessee 3 is a limited liability company established in the PRC and is principally engaged in sewage treatment in Zhongshan City, Guangdong Province.

Lessee 4 is a limited liability company established in the PRC and is principally engaged in sewage treatment in Chongqing City.

The Lessees are all ultimately controlled by Kangda International Environmental Company Limited through its wholly-owned company, Kangda Investment (Hong Kong) Company Limited, both of whom are Independent Third Parties.

DEFINITIONS

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

“Asset 1”	shall have the meaning as disclosed in the section headed “INFORMATION ON THE ASSETS” in this announcement
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“Asset 2”	shall have the meaning as disclosed in the section headed “INFORMATION ON THE ASSETS” in this announcement
“Assets”	collectively, Asset 1 and Asset 2
“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 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)
“Director(s)”	the director(s) of the Company
“Existing Finance Lease and Incidental Documentation”	being the finance lease agreement and incidental documentation dated 9 May 2020 entered into between Canton Risen and the Lessees, the details of which have been disclosed in the announcement of the Company dated 11 May 2020
“Finance Lease No. 1”	the finance lease agreement dated 19 May 2020 entered into between Canton Risen and the Lessees in relation to the transfer of ownership and lease back of Asset 1
“Finance Lease No. 2”	the finance lease agreement dated 19 May 2020 entered into between Canton Risen and the Lessees in relation to the transfer of ownership and lease back of Asset 2
“Finance Leases”	collectively, Finance Lease No. 1 and Finance Lease No. 2
“Group”	the Company and its subsidiaries
“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

“Incidental Documentation”	the agreements incidental to the Finance Leases including the transfer agreements, the consultancy agreements, the asset pledge agreements, the share pledge agreements and the pledge agreements
“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 their respective associate of any of them as defined in the Listing Rules
“Kangda International Environmental Company Limited”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6136) and an Independent Third Party
“Kangda Investment (Hong Kong) Company Limited”	Kangda Investment (Hong Kong) Company Limited* (康達投資(香港)有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party
“Lessee 1”	Meiling Environmental Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Lessee 2”	Qingzhou Meiling Sewage Purification Co., Ltd.* (青州市美陵污水淨化有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Lessee 3”	Zhongshan Kangda Water Co., Ltd.* (中山康達水務有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Lessee 4”	Chongqing Kangda Environmental Protection Industry Group Co., Ltd.* (重慶康達環保產業(集團)有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Lessees”	collectively, Lessee 1, Lessee 2, Lessee 3 and Lessee 4
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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
“SGD”	Singapore Dollar, the lawful currency of Singapore
“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, 19 May 2020

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\$1.091, whereas amount denominated in SGD has been translated into HK\$ at the exchange rate of SGD1 = HK\$5.469. 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