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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

DISCLOSEABLE TRANSACTION – FINANCE LEASE ARRANGEMENT

On 19 February 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee, pursuant to which Chengtong Financial Leasing will purchase the Facilities from the Lessee and will lease the Facilities back to the Lessee for a term of five (5) years.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 19 February 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee in respect of the Finance Lease Arrangement, the major terms of which are set out below.

FINANCE LEASE ARRANGEMENT

Date

19 February 2020

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners (being 成都市青白江區國有資產監督管理和金融工作局, 國開證券股份有限公司 and 成都怡都建設投資有限公司) are Independent Third Parties, and the Lessee is principally engaged in the business of construction of transportation infrastructure in Qingbaijiang District of Chengdu City, the PRC, trading of sandstone and real estate leasing.

Subject matter

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreement (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement, the signing by the Guarantor and the coming into effect of the relevant guarantee agreement, and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB100 million (equivalent to approximately HK\$111 million), and the Facilities will be leased back to the Lessee for a period of five (5) years (“**Lease Term**”) from the date on which the Purchase Price is paid by Chengtong Financial Leasing.

If any of the conditions are not satisfied on or before 31 March 2020, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreement.

Purchase Price

The Purchase Price of RMB100 million (equivalent to approximately HK\$111 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 12 February 2020 which amounted to approximately RMB101.16 million (equivalent to approximately HK\$112.29 million).

The Purchase Price will be satisfied by the internal resources of the Group.

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB122.53 million (equivalent to approximately HK\$136.01 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) equal instalments on a quarterly basis during the Lease Term.

The total amount of lease payment is calculated on the then outstanding lease principal payment amount (being initially the amount of Purchase Price to be paid by Chengtong Financial Leasing) with a fixed annual return rate of 8.075%. The return rate has been agreed after arm's length negotiations between the parties with reference to the Purchase Price payable by Chengtong Financial Leasing for the purchase of the Facilities and the credit risks associated with the Finance Lease Arrangement.

Lessee's right to repurchase the Facilities

Upon the expiry of the Lease Term, subject to the Lessee having paid all the lease payment and any other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreement, the Lessee shall have the right to repurchase the Facilities at a nominal consideration of RMB1.00.

Security money

The Lessee agrees to pay a sum of RMB5 million (equivalent to approximately HK\$5.55 million) as security money for the performance of its obligations under the Finance Lease Agreement.

If the Lessee fails to fully perform any obligation under the Finance Lease Agreement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the Lessee to it in the following order: overdue interest, other payables, damages (if any), lease payment and repurchase price. If the Lessee has fully performed all its obligations under the Finance Lease Agreement, Chengtong Financial Leasing shall, within 10 working days, return the security money to the Lessee or use the security money to set off against the lease payment for the last corresponding period. The security money shall not bear any interest.

Guarantee

The Guarantor, which is a State-owned enterprise established in the PRC with limited liability, has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreement, including but not limited to the lease payment, damages and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor is principally engaged in investment and construction of urban infrastructure projects in Qingbaijiang District of Chengdu City, the PRC, and the Guarantor and its ultimate beneficial owners (being 成都市青白江區國有資產監督管理和金融工作局 and 成都市青白江區土地儲備中心) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in property investment, property development, finance leasing, bulk commodity trade (including trading of coal, steel and non-ferrous metals) and hotel and marine travelling services.

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB22.53 million (equivalent to approximately HK\$25.01 million), being the difference between the estimated total lease payment under the Finance Lease Arrangement and the Purchase Price to be paid by Chengtong Financial Leasing for the Facilities.

The Directors are of the view that the terms of the Finance Lease Arrangement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	means the board of Directors
“Chengtong Financial Leasing”	means 誠通融資租賃有限公司(unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	means China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	means the director(s) of the Company

“Facilities”	means certain facilities and equipment in a public transportation hub in Qingbaijiang District of Chengdu City, Sichuan Province, the PRC, including but not limited to drainage equipment, fire-fighting equipment, lighting equipment, power distribution system and parking lot, as well as the relevant ancillary, replacement and/or additional facilities and equipment
“Finance Lease Agreement”	means the finance lease agreement dated 19 February 2020 and signed between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement
“Finance Lease Arrangement”	means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the lease back of the Facilities to the Lessee pursuant to the terms of the Finance Lease Agreement
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means 成都新開元城市建設投資有限公司, a State-owned enterprise established in the PRC with limited liability
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Lessee”	means 成都市瀚宇投資有限公司, a State-owned enterprise established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means 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

“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Facilities from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.11. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

Hong Kong, 19 February 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Bin, Mr. Yang Tianzhou, Mr. Wang Tianlin and Mr. Li Shufang; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.