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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 4 March 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 three (3) 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 4 March 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

4 March 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 owner (being 盤錦市政府國有資產監督管理委員會) are Independent Third Parties, and the Lessee is principally engaged in the business of trading of petrochemical products.

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 and the coming into effect of the relevant security agreement(s) as requested by Chengtong Financial Leasing, 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\$112 million), and the Facilities will be leased back to the Lessee for a period of three (3) 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\$112 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 16 January 2020 which amounted to approximately RMB122.99 million (equivalent to approximately HK\$137.75 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 approximately RMB113.60 million (equivalent to approximately HK\$127.23 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) 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 return rate of 8.075% per annum. 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 RMB4 million (equivalent to approximately HK\$4.48 million) as security money for the performance of its obligations under the Finance Lease Agreement, which will be settled by deducting an equivalent sum from the Purchase Price payable by Chengtong Financial Leasing to the Lessee.

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.

Land mortgage

On 4 March 2020, Chengtong Financial Leasing and the Mortgagor entered into a mortgage agreement pursuant to which the Mortgagor created a charge in favour of Chengtong Financial Leasing over the land use right in respect of a piece of State-owned construction land with an area of approximately 140,000 square metres in Panjin City, Liaoning Province, the PRC, which has an appraised value of approximately RMB250.23 million (equivalent to approximately HK\$280.26 million) as at 2 January 2020, and all present and future rights, interests, and revenue arising therefrom, as security for the full payment of all rent and other payables by the Lessee under the Finance Lease Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Mortgagor is a wholly-owned subsidiary of the Lessee and is principally engaged in the business of underground drainage network construction, road construction and maintenance, communications engineering, land formation, hydraulic engineering, and urban greening, and the Mortgagor and its ultimate beneficial owner (being 盤錦市政府國有資產監督管理委員會) are Independent Third Parties.

Guarantee

The Guarantor 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 the construction of urban infrastructure, construction of indemnificatory apartments and property development, and the Guarantor and its ultimate beneficial owners (being 盤錦市國有資本投資運營有限公司, 中國農業重點建設基金有限公司, and 國開發展基金有限公司) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

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

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 RMB13.60 million (equivalent to approximately HK\$15.23 million), being the difference between the 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 water supply and drainage network facilities as well as the relevant ancillary, replacement and/or additional equipment
“Finance Lease Agreement”	means the finance lease agreement dated 4 March 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 盤錦鑫誠實業集團有限責任公司, 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 盤錦恒祺控股集團有限責任公司, a company incorporated in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgagor”	means 盤錦遼濱萬象實業有限責任公司, a company incorporated in the PRC with limited liability
“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\$1.12. 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, 4 March 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.