

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT

THE NEW FINANCIAL SERVICES AGREEMENT

Reference is made to the announcements of the Company dated 6 August 2015, 27 August 2015 and 25 September 2015, the circular of the Company dated 22 October 2015 and the poll results announcement of the Company dated 9 November 2015 in respect of the continuing connected transactions and discloseable transaction contemplated under the 2015 Financial Services Agreement.

The 2015 Financial Services Agreement will expire on 31 December 2017 and the Company expects that the connected transactions contemplated under the 2015 Financial Services Agreement will continue but in a smaller scale. After trading hours on 29 December 2017, the Company and Chengtong Finance entered into the New Financial Services Agreement, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services (including the Deposit Services, the Loan Services and other financial services) for a term commencing from 1 January 2018 to 31 December 2020, subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

Chengtong Finance is a subsidiary of CCHG. CCHG is the holding company of CCHK which owns the entire issued share capital of World Gain Holdings Limited, a controlling Shareholder. Accordingly, Chengtong Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the New Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit Services

As the highest applicable percentage ratio in respect of the provision of the Deposit Services under the New Financial Services Agreement is more than 0.1% but less than 5%, the provision of the Deposit Services under the New Financial Services Agreement is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules and is exempt under Rule 14A.76(2) of the Listing Rules from circular and independent Shareholders' approval requirements.

Loan Services

The provision of the Loan Services by Chengtong Finance to the Group under the New Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As the Loan Services will be conducted on normal commercial terms or better to the Group and no security over the assets of the Group will be required if the Group meets the credit requirements of Chengtong Finance, the provision of the Loan Services is exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and independent Shareholders' approval requirements.

Other Financial Services

The Company expects that each of the relevant percentage ratios in respect of the total fees payable by the Group on an annual basis to Chengtong Finance for the provision of other financial services under the New Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules and will therefore be exempt from all reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if and when the total fees payable by the Group to Chengtong Finance for the provision of other financial services under the New Financial Services Agreement exceed the de minimis threshold.

BACKGROUND

Reference is made to the announcements of the Company dated 6 August 2015, 27 August 2015 and 25 September 2015, the circular of the Company dated 22 October 2015 and the poll results announcement of the Company dated 9 November 2015 in respect of the continuing connected transactions and discloseable transaction contemplated under the 2015 Financial Services Agreement.

The Company entered into the 2015 Financial Services Agreement with Chengtong Finance on 6 August 2015 in respect of the provision of certain financial services by Chengtong Finance to the Group.

The 2015 Financial Services Agreement will expire on 31 December 2017 and the Company expects that the connected transactions contemplated under the 2015 Financial Services Agreement will continue but in a smaller scale. After trading hours on 29 December 2017, the Company and Chengtong Finance entered into the New Financial Services Agreement, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services (including the Deposit Services, the Loan Services and other financial services) for a term commencing from 1 January 2018 to 31 December 2020. Details of the New Financial Services Agreement are set out below.

NEW FINANCIAL SERVICES AGREEMENT

Date:

29 December 2017

Parties:

- (i) the Company; and
- (ii) Chengtong Finance

Duration:

From 1 January 2018 to 31 December 2020.

Scope of Services:

Chengtong Finance will provide the Group with a range of financial services subject to the terms and conditions of the New Financial Services Agreement. Such financial services include:

(a) *Deposit Services*

- (1) The Group can make deposits with Chengtong Finance at its discretion, such as current deposit, call deposit and time deposit, etc.
- (2) The interest rates payable by Chengtong Finance to the Group for any deposits shall be (i) 20%–50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type; (ii) not lower than the interest rates offered to the Group by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.
- (3) **Deposit Cap:** The daily balance of the Group's deposits (including any interests accrued thereon) with Chengtong Finance for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed an amount equivalent to RMB116 million (equivalent to approximately HK\$138 million).
- (4) The above balance of the Group's deposits excludes (i) loans, entrusted loans or discounted bills advanced by Chengtong Finance to the Group; (ii) loan interests payable by the Group to Chengtong Finance; and (iii) the bank loans obtained through guarantee provided by Chengtong Finance.
- (5) Chengtong Finance will ensure the security of the Group's deposits and will utilise such deposits in accordance with the "Measures for the Administration of Finance Companies of Enterprise Groups" and within the scope approved by the CBRC.
- (6) In case Chengtong Finance is unable to pay back the Group's deposits to the Group, the Company shall have the right to terminate the New Financial Services Agreement and offset any loan repayable by the Group to Chengtong Finance by the amount of deposits due to the Group from Chengtong Finance.
- (7) Chengtong Finance should indemnify the Group in full for any economic loss suffered by the Group as a result of Chengtong Finance's breach of the New Financial Services Agreement.

(b) Loan Services

- (1) Subject to the provisions of the relevant laws and regulations of the PRC, Chengtong Finance shall, according to the Group's need for operation and development, provide to the Group the Loan Services, provided that the aggregate amount of the credit under the Loan Services and the interests accrued thereon should not exceed RMB1 billion (excluding any entrusted loans). The Group can apply for loans, honouring bills, discounted bills, guarantees and other financing services granted by Chengtong Finance and Chengtong Finance will, subject to its own financial capacity, endeavor to accommodate the requests of the Group.
- (2) Subject to the relevant regulatory requirements, Chengtong Finance undertakes to provide the Loan Services to the Group with favourable interest rates, which shall be (i) at certain percentage (depending on the specific loan application) lower than the loan interest rates prescribed by the PBC for loans with the same term and of the same type; and (ii) not higher than the interest rates offered to the Group by the major commercial banks in the PRC for loans with the same term and of the same type.
- (3) The Loan Services will be provided on normal commercial terms or more favourable terms to the Group.
- (4) No security over the assets and equity rights or guarantee from the Group will be required if the Group meets the credit requirements of Chengtong Finance.

(c) Other Financial Services

- (1) Chengtong Finance shall provide the Group with other financial services as approved by the CBRC upon the request of the Group.
- (2) The fee charged by Chengtong Finance for such other financial services shall not be higher than the fees charged by other major financial institutions for financial services of the same type.

Undertakings by Chengtong Finance:

Chengtong Finance undertakes to the Group, among other things, that it shall:

- (a) safeguard the Group's deposits and not impose any restriction thereon;
- (b) cooperate with the Group to comply with the disclosure requirements under the relevant rules and regulations regarding the continuing connected transactions contemplated under the New Financial Services Agreement;
- (c) provide its annual reports or such financial information, disclose its operational and financial conditions and allow the Company's auditors to review its accounting records upon the requests of the Company;
- (d) allow and cooperate with the Group to carry out stress testing on its deposits with Chengtong Finance from time to time; and
- (e) notify the Company and take measures to prevent loss or further losses from happening should it be in breach of any relevant laws and regulations or subject to regulatory proceedings or have material changes in its financial or operational conditions.

CCHG, the ultimate holding company of Chengtong Finance, has undertaken to the CBRC that it will increase the capital of Chengtong Finance in case Chengtong Finance has difficulties to honour its payment obligations.

DEPOSIT CAP

The highest daily balance of deposits historically made by the Group with Chengtong Finance for the period from the date on which the independent Shareholders approved the deposit services under the 2015 Financial Services Agreement (“**Approval Date**”) and ended 31 December 2015, the year ended 31 December 2016 and the eleven months ended 30 November 2017 are set out below:

For the period from the Approval Date and ended 31 December 2015	For the year ended 31 December 2016	For the eleven months ended 30 November 2017
RMB298,865,210	RMB410,793,930	RMB403,832,800

As at the date of this announcement, the balance of deposits placed by the Group with Chengtong Finance is approximately RMB72.2 million.

According to the terms of the New Financial Services Agreement, the maximum daily balance of the Group’s deposits (including any interests accrued thereon) with Chengtong Finance for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed an amount equivalent to RMB116 million (equivalent to approximately HK\$138 million). The proposed Deposit Cap is determined with reference to the balance of deposits currently placed with Chengtong Finance, the capital and expenditure budget of the Group for the next three years and the prevailing treasury strategies of the Group.

INFORMATION OF THE GROUP AND CHENGTONG FINANCE

The principal activities of the Group are property investment, property development, finance leasing, bulk commodity trading (including trading of coal, steel and non-ferrous metals) and hotel and marine travelling services.

Chengtong Finance is a company incorporated in the PRC and a non-banking financial institution subject to the supervision of the CBRC. It is principally engaged in the provision of a variety of financial services including deposit taking, credit facility granting, settlement services, and other types of financial services to member companies (成員單位) of the group of CCHG.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FINANCIAL SERVICES AGREEMENT

As Chengtong Finance and the Company are both members of CCHG group, Chengtong Finance has much better understanding of the Group's operations than other financial institutions. Chengtong Finance is expected to be a cost effective financial platform providing flexible and tailor made financial services to the Group.

CCHG is a state-owned enterprise established in the PRC with a registered capital of approximately RMB12.8 billion as at the date of this announcement. CCHG's audited net asset value as at 31 December 2016 was approximately RMB61.1 billion. With CCHG's undertaking to increase the capital of Chengtong Finance if Chengtong Finance has difficulties to honour its payment obligations, the Directors are of the view that the Group's interest is well safeguarded.

Moreover, Chengtong Finance is subject to the supervision of the CBRC and provides its services in accordance with the rules and operational requirements of CBRC. To the best knowledge of the Directors and after making all reasonable enquiries, up to the date of this announcement, Chengtong Finance has shown good financial positions with good corporate governance and established internal control systems. Since its commencement of operation, Chengtong Finance has complied with the rules and regulations stipulated by the CBRC. The Company believes that the risk profile of Chengtong Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC.

Furthermore, pursuant to the terms of the Deposit Services contemplated under the New Financial Services Agreement, the Group can make deposits with Chengtong Finance at its own discretion. The Group is therefore neither obliged nor committed to engage Chengtong Finance to provide the Deposit Services under the New Financial Services Agreement and Chengtong Finance is merely one of the financial institutions which will provide deposit services to the Group. This allows the Group to select the appropriate provider(s) for deposit services as and when the Group has such a need.

According to the New Financial Services Agreement, Chengtong Finance makes certain undertakings to the Group to enable the Group to assess the risks on placing deposits with Chengtong Finance from time to time and to safeguard the Group's deposits. The Group did not obtain any similar undertakings from any other financial institutions which are currently providing deposit services to the Group.

The Directors (including the independent non-executive Directors) are therefore of the view that the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) are fair and reasonable, and on normal commercial terms or better and the entering into of the Deposit Services contemplated under the New Financial Services Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

The Directors are also of the view that the terms of the Loan Services and other financial services contemplated under the New Financial Services Agreement are fair and reasonable, and on normal commercial terms and the entering into of such services is in the interest of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the New Financial Services Agreement. Nevertheless and for the sake of good corporate governance, Mr. Yuan Shaoli and Mr. Zhang Bin, who are common directors of the Company and CCHK (which is a fellow subsidiary of Chengtong Finance), have abstained from attending the Board meeting for considering and approving the New Financial Services Agreement.

INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY

To safeguard the interest of the Shareholders, the Company has adopted, among others, the following internal control and risk management procedures to ensure that individual deposit transactions with Chengtong Finance will be conducted within the framework of the Deposit Services contemplated under the New Financial Services Agreement:

Internal control and risk assessment in relation to the Deposit Services

- (a) The finance and capital department of the Company (“**F&C Department**”) is responsible for, among others, the management, risk assessment and disclosure of information in relation to the Deposit Services.
- (b) The F&C Department will record, among others, the amount of deposits placed by the Group with Chengtong Finance and the interests accrued thereon on a daily basis. When the sum of the deposit amount and interests accrued thereon reaches 80% of the Deposit Cap, the F&C Department will issue a warning notice to a working group of the Company.
- (c) The F&C Department will obtain information on the deposit interest rate(s) which Chengtong Finance offers to other member companies of the group of CCHG on a monthly basis to ensure that the deposit interest rate(s) offered to the Group is/are not lower than that offered by Chengtong Finance to other member companies of the group of CCHG.

- (d) In case of any adjustment to the benchmark interest rate by the PBC, the F&C Department will compare among the deposit interest rate from Chengtong Finance, the benchmark interest rate from the PBC, and the deposit interest rates from at least two independent financial institutions in respect of deposit of the same type and of the same term. In the event that the deposit interest rate applied by Chengtong Finance to the deposits placed with it by the Group is in violation of the provisions of the New Financial Services Agreement, the F&C Department will inform Chengtong Finance for adjustment.
- (e) The F&C Department will obtain the annual operation report and risk management report submitted by Chengtong Finance to the CBRC on an annual basis to monitor the financial position of Chengtong Finance.
- (f) The F&C Department will obtain and review the financial information of Chengtong Finance twice a year, analyse the business and financial risks of Chengtong Finance and prepare a risk assessment report to the Board to ascertain whether the deposits placed with Chengtong Finance are in order.

Risk management for the Deposit Services

- (g) The Company has established a working group (“**Working Group**”), which is led by the chairman of the Board to address any risk which may arise in respect of the Deposit Services.
- (h) Upon knowing there is any potential risk related to the deposits placed by the Group with Chengtong Finance, the F&C Department will report the matter to the Working Group immediately. The Working Group will then seek further information from Chengtong Finance to assess the situation. The Working Group will also be responsible to formulate and execute such measures to safeguard the Group’s interest, which may include the withdrawal or adjustment of the amount of the deposits placed with Chengtong Finance.

LISTING RULES IMPLICATIONS

Chengtong Finance is a subsidiary of CCHG. CCHG is the holding company of CCHK which owns the entire issued share capital of World Gain Holdings Limited, a controlling Shareholder. Accordingly, Chengtong Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the New Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit Services

As the highest applicable percentage ratio in respect of the provision of the Deposit Services under the New Financial Services Agreement is more than 0.1% but less than 5%, the provision of the Deposit Services under the New Financial Services Agreement is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules and is exempt under Rule 14A.76(2) of the Listing Rules from circular and independent Shareholders' approval requirements.

Loan Services

The provision of the Loan Services by Chengtong Finance to the Group under the New Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As the Loan Services will be conducted on normal commercial terms or better to the Group and no security over the assets of the Group will be required if the Group meets the credit requirements of Chengtong Finance, the provision of the Loan Services is exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and independent Shareholders' approval requirements.

Other Financial Services

The Company expects that each of the relevant percentage ratios in respect of the total fees payable by the Group on an annual basis to Chengtong Finance for the provision of other financial services under the New Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules and will therefore be exempt from all reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if and when the total fees payable by the Group to Chengtong Finance for the provision of other financial services under the New Financial Services Agreement exceed the de minimis threshold.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2015 Financial Services Agreement”	the financial services agreement dated 6 August 2015 entered into between the Company and Chengtong Finance pursuant to which Chengtong Finance had agreed to provide the Group with a scope of financial services
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“CCHG”	China Chengtong Holdings Group Limited, a company incorporated in the PRC with limited liability and the holding company of CCHK
“CCHK”	China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), a company incorporated in Hong Kong with limited liability and the holding company of World Gain Holdings Limited, a controlling Shareholder
“Chengtong Finance”	China Chengtong Finance Corporation Ltd. (誠通財務有限責任公司), a company incorporated in the PRC and a non-banking financial institution subject to the supervision of the CBRC
“Company”	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 and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposit Cap”	the proposed maximum daily outstanding balance of deposits placed by the Group with Chengtong Finance during the term of the New Financial Services Agreement
“Deposit Services”	the deposit services to be provided by Chengtong Finance to the Group pursuant to the terms of the New Financial Services Agreement

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan services to be provided by Chengtong Finance to the Group pursuant to the terms of the New Financial Services Agreement
“New Financial Services Agreement”	the financial services agreement dated 29 December 2017 entered into between the Company and Chengtong Finance pursuant to which Chengtong Finance has agreed to provide the Group with a scope of financial services
“PBC”	The People’s Bank of China
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, 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

In this announcement, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.19. 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
Managing Director

29 December 2017

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