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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 28 October 2019, 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 28 October 2019, 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

28 October 2019

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 are Independent Third Parties, and the Lessee is principally engaged in the business of sewage treatment, construction of water pipes, drainage and sewage pipes, and construction of roads.

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 and the signing and the coming into effect of the relevant security agreement(s) as requested by Chengtong Financial Leasing), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB70.00 million (equivalent to approximately HK\$77.00 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 October 2019, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreement.

Purchase Price

The Purchase Price of RMB70.00 million (equivalent to approximately HK\$77.00 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 9 October 2019 which amounted to approximately RMB90.47 million (equivalent to approximately HK\$99.52 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 RMB78.37 million (equivalent to approximately HK\$86.21 million) (subject to changes of the benchmark lending rate published by the PBOC from time to time in respect of a three-year loan) 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 return rate calculated at 50% above the prevailing benchmark lending rate published by the PBOC from time to time in respect of a three-year loan. 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.

Receivables pledge

On 28 October 2019, Chengtong Financial Leasing and the Lessee also entered into a receivables pledge agreement pursuant to which the Lessee creates a second charge in favour of Chengtong Financial Leasing over the Lessee's right to receive all relevant payments in respect of sewage treatment which may be receivable by the Lessee during the validity of the pledge (including but not limited to all present and future right to receive sewage treatment fees as well as damages and compensation arising from any breach) as security for the full payment of all rent and other receivables under the Finance Lease Agreement.

Guarantee

The Guarantor, which is the sole shareholder of the Lessee and 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 the provision of agency services on development of urban infrastructure and government construction projects, land development and public housing development, and the Guarantor and its ultimate beneficial owner 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 RMB8.37 million (equivalent to approximately HK\$9.21 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 sewage and drainage networks as well as the relevant ancillary, replacement and/or additional equipment
“Finance Lease Agreement”	means the finance lease agreement dated 28 October 2019 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 泰興市興黃綜合投資開發有限公司, a State-owned enterprise established in the PRC with limited liability and the sole shareholder of the Lessee
“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 江蘇黃橋污水處理有限公司, 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
“PBOC”	means the People’s Bank of China
“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\$1.10. 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, 28 October 2019

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.