

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)

DISCLOSEABLE TRANSACTIONS PURCHASE CONTRACTS AND OPERATING LEASES

On 29 September 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into:

- i. the Purchase Contract I pursuant to which Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility I at a consideration of RMB48.40 million;
- ii. the Purchase Contract II pursuant to which Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility II at a consideration of RMB33.50 million;
- iii. the Lease Contract I pursuant to which Chengtong Financial Leasing has agreed to lease the Facility I to the Lessee for a term of twelve (12) months; and
- iv. the Lease Contract II pursuant to which Chengtong Financial Leasing has agreed to lease the Facility II to the Lessee for a term of twelve (12) months.

As the transactions contemplated under each of the Purchase Contract I and the Purchase Contract II were entered into with the same parties and within a twelve-month period, the Purchase Contract I and the Purchase Contract II are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of notifiable transactions under the Listing Rules.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the relevant transactions contemplated under the Purchase Contracts, when calculated on an aggregate basis, exceeds 5% but is less than 25%, each of the transactions under the Purchase Contracts constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Each of the Lease Contracts falls within the definition of a “transaction” of the Company under Rule 14.04(1)(d) of the Listing Rules, as the Company considers that each of the Lease Contracts is an operating lease which, by virtue of its size, nature or number, has a significant impact on the operations of the Company.

As the transactions contemplated under each of the Lease Contract I and the Lease Contract II were entered into between the same parties and within a twelve-month period, the Lease Contract I and the Lease Contract II are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of notifiable transactions under the Listing Rules.

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Lease Contracts, both when calculated individually and on aggregate basis, exceeds 5% but less than 25%, each of the transactions contemplated under the Lease Contracts constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

INTRODUCTION

On 29 September 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into:

- i. the Purchase Contract I pursuant to which Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility I at a consideration of RMB48.40 million;
- ii. the Purchase Contract II pursuant to which Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility II at a consideration of RMB33.50 million;
- iii. the Lease Contract I pursuant to which Chengtong Financial Leasing has agreed to lease the Facility I to the Lessee for a term of twelve (12) months; and
- iv. the Lease Contract II pursuant to which Chengtong Financial Leasing has agreed to lease the Facility II to the Lessee for a term of twelve (12) months.

PURCHASE CONTRACTS

The principal terms of the Purchase Contracts are set out as follows:

Date

29 September 2020

Parties

Vendor : The Vendor
Lessor : Chengtong Financial Leasing
Lessee : The Lessee

Purchase of the Facilities

Pursuant to the Purchase Contract I, Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility I at a consideration of RMB48.40 million (equivalent to approximately HK\$54.69 million).

Pursuant to the Purchase Contract II, Chengtong Financial Leasing has agreed to purchase from the Vendor the Facility II at a consideration of RMB33.50 million (equivalent to approximately HK\$37.86 million).

The Purchase Prices shall be paid in cash by Chengtong Financial Leasing in the following manner:

- i. 80% of the relevant purchase price shall be paid within ten (10) business days upon fulfilment of certain conditions as set out in the relevant Purchase Contracts (including but not limited to the signing and the coming into effect of the relevant Lease Contracts, and the payment of the relevant security monies (as set out below) by the Lessee) (the “**First Instalment Date**”); and
- ii. 20% of the relevant purchase price shall be paid within three (3) months from the First Instalment Date after the receipt by Chengtong Financial Leasing of (i) the inspection completion certificate jointly issued by the Vendor and the Lessee and (ii) the notice from the Lessee to request Chengtong Financial Leasing to pay the Vendor.

The Purchase Prices were agreed between the Vendor, Chengtong Financial Leasing and the Lessee after arm’s length negotiation with reference to the model, the technology level and usage applicability of the Facilities, as well as the historical purchases prices of similar equipment with similar models offered by the Vendor and other manufacturers to other purchasers. The relevant First Instalment Date and delivery date in relation to the Facility I and the Facility II are expected to be on or before 30 October 2020 and 15 November 2020 respectively.

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

LEASE CONTRACTS

The principal terms of the Lease Contracts are set out as follows:

Date

29 September 2020

Parties

Lessor : Chengtong Financial Leasing

Lessee : The Lessee

Subject matter of the leases

The Facilities purchased by Chengtong Financial Leasing under the Purchase Contracts.

Legal title

Chengtong Financial Leasing owns the legal title of the Facilities during the Lease Term.

Lease term

The Facilities shall be leased to the Lessee for a period of twelve (12) months commencing from the relevant First Instalment Date.

Lease payment

Pursuant to the Lease Contract I, the total amount of lease payment over the Lease Term is estimated to be approximately RMB11.66 million (equivalent to approximately HK\$13.18 million).

Pursuant to the Lease Contract II, the total amount of lease payment over the Lease Term is estimated to be approximately RMB8.07 million (equivalent to approximately HK\$9.12 million).

The lease payments shall be paid by the Lessee to Chengtong Financial Leasing in four (4) equal instalments every three months during the respective Lease Term.

The total amount of lease payment was agreed between Chengtong Financial Leasing and the Lessee after arm's length negotiation with reference to, inter alia, the purchase prices paid by Chengtong Financial Leasing in respect of the Facilities and the prevailing terms for comparable operating lease arrangements.

Security monies

The Lessee agrees to pay a sum of approximately RMB1.45 million (equivalent to approximately HK\$1.64 million) and approximately RMB1.01 million (equivalent to approximately HK\$1.14 million) as security monies for the performance of its obligations under the Lease Contract I and Lease Contract II respectively.

If the Lessee fails to fully perform any obligation under the Lease Contracts, Chengtong Financial Leasing has the right to apply the relevant security monies to set off against any amount owed by the Lessee to it in the following order: liquidated damages, other payables including but not limited to insurance premium and damages, and outstanding lease payment. If the Lessee has fully performed all its obligations under the relevant Lease Contracts, Chengtong Financial Leasing shall return the relevant security monies to the Lessee or (if applicable) apply the relevant security monies for the extended Lease Term.

Early termination

Unless with the prior written consent from Chengtong Financial Leasing, early termination of the Lease Contracts by the Lessee is not allowed.

REASONS FOR AND BENEFITS OF THE PURCHASE CONTRACTS AND THE LEASE CONTRACTS

The entering into of the Purchase Contracts and the Lease Contracts is in the ordinary and usual course of business of Chengtong Financial Leasing and will enable the Company to receive lease payments in the aggregate sum of approximately RMB19.73 million (equivalent to approximately HK\$22.29 million) from the Lessee during the Lease Term.

The terms of the Purchase Contracts and the Lease Contracts, including the Purchase Prices and the lease payment, were arrived at after arm's length negotiation between the parties with reference to, inter alia, the purchase prices paid by Chengtong Financial Leasing in respect of the Facilities and the prevailing terms for comparable operating lease arrangements.

The Directors (including independent non-executive Directors) are of the view that the terms under the Purchase Contracts and the Lease Contracts are on normal commercial terms in the ordinary and usual course of business of the Company, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Purchase Contracts or the Lease Contracts or is required to abstain from voting on the Board resolution in relation to the Purchase Contracts or the Lease Contracts.

INFORMATION ON THE GROUP, THE LESSEE AND THE VENDOR

The Group is principally engaged in finance leasing, bulk commodity trade, property development, property investment, and marine recreation services and hotel business.

The Lessee is a company established in the PRC, and is principally engaged in equipment management and research and development services, construction technology services, information technology services and machinery manufacturing services.

The Vendor is a company established in the PRC, and is principally engaged in tunnel and underground construction equipment manufacturing services.

Both the Lessee and the Vendor are wholly-owned subsidiaries of 中鐵高新工業股份有限公司 (unofficial English translation being China Railway Hi-Tech Industry Corporation Limited), a company listed on the Shanghai Stock Exchange (stock code: 600528.SH) and is principally engaged in the design, manufacture, installation and technical services of tunnel boring equipment, railway turnout, bridge steel structure, large scale construction machineries and rail transit turnouts and track.

中鐵高新工業股份有限公司 (unofficial English translation being China Railway Hi-Tech Industry Corporation Limited) is directly or indirectly owned as to 49.12% by 中國中鐵股份有限公司 (China Railway Group Limited), a company listed on the Stock Exchange (stock code: 00390.HK) and the Shanghai Stock Exchange (stock code: 601390.SH). 中國中鐵股份有限公司 (China Railway Group Limited) is owned as to 47.21% by 中國鐵路工程集團有限公司 (unofficial English translation being China Railway Engineering Group Limited), a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of the State Council.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee, the Vendor and their ultimate beneficial owners are Independent Third Parties.

IMPLICATION UNDER THE LISTING RULES

As the transactions contemplated under each of the Purchase Contract I and the Purchase Contract II were entered into with the same parties and within a twelve-month period, the Purchase Contract I and the Purchase Contract II are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of notifiable transactions under the Listing Rules.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the relevant transactions contemplated under the Purchase Contracts, when calculated on an aggregate basis, exceeds 5% but is less than 25%, each of the transactions under the Purchase Contracts constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Each of the Lease Contracts falls within the definition of a "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules, as the Company considers that each of the Lease Contracts is an operating lease which, by virtue of its size, nature or number, has a significant impact on the operations of the Company.

As the transactions contemplated under each of the Lease Contract I and the Lease Contract II were entered into between the same parties and within a twelve-month period, the Lease Contract I and the Lease Contract II are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of notifiable transactions under the Listing Rules.

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Lease Contracts, both when calculated individually and on aggregate basis, exceeds 5% but less than 25%, each of the transactions contemplated under the Lease Contracts constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under 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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Company”	means	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	means	has the meaning ascribed to it under the Listing Rules
“Directors”	means	the directors of the Company
“Facilities”	means	collectively, Facility I and Facility II
“Facility I”	means	certain dual-mode tunnel boring machine newly manufactured by the Vendor
“Facility II”	means	certain balanced-mode tunnel boring machine newly manufactured by the Vendor
“Group”	means	the Company and its subsidiaries as at the date of this announcement
“HK\$”	means	Hong Kong dollar, 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
“Lease Contracts”	means	collectively, the Lease Contract I and the Lease Contract II
“Lease Contract I”	means	the lease agreement entered into between Chengtong Financial Leasing and the Lessee on 29 September 2020 in relation to the Facility I
“Lease Contract II”	means	the lease agreement entered into between Chengtong Financial Leasing and the Lessee on 29 September 2020 in relation to the Facility II
“Lease Term”	means	the term of the lease of the Facilities under the Lease Contracts, being twelve (12) months
“Lessee”	means	中鐵工程服務有限公司 (unofficial English translation being China Railway Engineering Services Co., Ltd.), a company established in the PRC with limited liability
“Listing Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	means	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchase Contract I”	means	the sale and purchase agreement dated 29 September 2020 entered into between the Vendor as vendor, Chengtong Financial Leasing as lessor and the Lessee as lessee in relation to the Facility I
“Purchase Contract II”	means	the sale and purchase agreement dated 29 September 2020 entered into between the Vendor as vendor, Chengtong Financial Leasing as lessor and the Lessee as lessee in relation to the Facility II
“Purchase Contracts”	means	collectively, the Purchase Contract I and the Purchase Contract II
“Purchase Prices”	means	the consideration payable by Chengtong Financial Leasing for the purchase of the Facilities from the Vendor
“RMB”	means	Renminbi, the lawful currency of the PRC
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited
“Vendor”	means	中鐵工程裝備集團有限公司 (unofficial English translation being China Railway Engineering Equipment Group Co., Ltd), a company established in the PRC with limited liability
“%”	means	per cent.

In this announcement, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.13. 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, 29 September 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.