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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 – SUPPLEMENTAL AGREEMENT IN RELATION TO NEW FINANCE LEASE ARRANGEMENT**

Reference is made to the 2017 Announcement in relation to the Finance Lease Arrangement. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the 2017 Announcement.

On 27 July 2017, 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 purchased the Facilities from the Lessee and leased the Facilities back to the Lessee for a term of three (3) years expiring on 30 July 2020.

The Lessee proposed to revise the lease term under the Finance Lease Agreement as it was encountering operating cash flow problems. Having considered the financial position of the Lessee, on 24 December 2019, Chengtong Financial Leasing entered into the Supplemental Agreement with the Lessee and the Guarantor pursuant to which the parties agreed, among other matters, to extend the lease term and to revise the payment arrangement of the lease payment under the Finance Lease Agreement.

As the New Finance Lease Arrangement constitutes a material variation of the terms of the Finance Lease Agreement, which were disclosed in the 2017 Announcement, it is subject to the announcement requirement pursuant to Rule 14.36 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the 2017 Announcement in relation to the Finance Lease Arrangement. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the 2017 Announcement.

On 27 July 2017, 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 purchased the Facilities from the Lessee and leased the Facilities back to the Lessee for a term of three (3) years expiring on 30 July 2020.

The Lessee proposed to revise the lease term under the Finance Lease Agreement as it was encountering operating cash flow problems. As at 24 December 2019, the outstanding amount of lease principal under the Finance Lease Agreement is RMB41.60 million (equivalent to approximately HK\$46.18 million).

Having considered the financial position of the Lessee, on 24 December 2019, Chengtong Financial Leasing entered into the Supplemental Agreement with the Lessee and the Guarantor pursuant to which the parties agreed, among other matters, to extend the lease term and to revise the payment arrangement of the lease payment under the Finance Lease Agreement. The major terms of the Supplemental Agreement are set out below.

## **SUPPLEMENTAL AGREEMENT**

### **Date**

24 December 2019

### **Parties**

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

Guarantor: The Guarantor

### **New Lease Term**

Under the Supplemental Agreement, the lease term will be extended to 19 August 2022 (“**New Lease Term**”) subject to the early termination upon early prepayment of all the lease payments by the Lessee.

## **Lease payment**

The total amount of lease payment over the New Lease Term is RMB48.10 million (equivalent to approximately HK\$53.39 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twenty-eight (28) instalments on a monthly basis commencing from 20 May 2020 during the New Lease Term.

The total amount of lease payment is calculated on the outstanding lease principal amount under the New Finance Lease Arrangement with a fixed return rate of 9.59% per annum. The return rate has been agreed after arm's length negotiations between the parties with reference to the outstanding lease principal amount under the New Finance Lease Arrangement and the credit risks associated with the New Finance Lease Arrangement.

## **Prepayment**

The Lessee may prepay all lease payments and any other payables under the New Finance Lease Arrangement by giving not less than ten (10) Working Days' notice in writing to Chengtong Financial Leasing and with the written consent of Chengtong Financial Leasing. In the case of early prepayment by the Lessee, the total amount of lease payment receivable by Chengtong Financial Leasing during the New Lease Term will be reduced subject to an internal rate of return of 8.12%.

## **Consequences of late payment**

If the Lessee fails to make any lease payment during the New Lease Term in accordance with the Supplemental Agreement, the Lessee shall pay liquidated damages on such sum in default at a rate of 24% per annum for the period during which such sum remains outstanding. If such sum in default remains unpaid after a lapse of 10 Working Days after the due date of such payment, Chengtong Financial Leasing shall have the right to immediately demand for the payment of all outstanding lease payments, whether due or undue, any liquidated damages for late payment and all other sums payable under the New Finance Lease Arrangement.

## **Guarantee**

The guarantee provided by the Guarantor under the guarantee agreement dated 27 July 2017 signed by the Guarantor in favour of Chengtong Financial Leasing shall remain in full force and effect under the New Finance Lease Arrangement.

Save as disclosed above, all the other terms under the Finance Lease Agreement shall remain unchanged.

## **REASONS FOR AND BENEFITS OF THE NEW 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.

As the return rate under the New Finance Lease Arrangement is higher than that under the original Finance Lease Arrangement, assuming that there is no early prepayment by the Lessee, it is expected that Chengtong Financial Leasing will earn an additional income of approximately RMB4.36 million (equivalent to approximately HK\$4.84 million) under the New Finance Lease Arrangement when comparing to the then estimated amount of income under the original Finance Lease Arrangement.

The Directors are of the view that the terms of the New 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 New Finance Lease Arrangement constitutes a material variation of the terms of the Finance Lease Agreement, which were disclosed in the 2017 Announcement, it is subject to the announcement requirement pursuant to Rule 14.36 of the Listing Rules.

## **DEFINITIONS**

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

“2017 Announcement”	means the announcement of the Company dated 27 July 2017 in relation to the Finance Lease Arrangement
“New Finance Lease Arrangement”	means the Finance Lease Arrangement as amended by the Supplemental Agreement
“Supplemental Agreement”	means the supplemental agreement dated 24 December 2019 to the Finance Lease Agreement and signed among Chengtong Financial Leasing, the Lessee and the Guarantor

*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, 24 December 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.*