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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)

CONNECTED TRANSACTION FINANCE LEASE ARRANGEMENT

On 18 March 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Arrangement which comprises:

- (i) the Finance Lease Agreement pursuant to which Chengtong Financial Leasing has agreed to purchase the Facilities from the Lessee and lease the Facilities back to the Lessee for a term of five (5) years; and
- (ii) the Guarantee Agreement pursuant to which the Guarantor has agreed to provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreement.

The Lessee is a wholly-owned subsidiary of the Guarantor, which is indirectly held as to approximately 33.17% by CCHG, the ultimate holding company of the Company. Therefore, the Lessee and the Guarantor are connected persons of the Company and the transactions contemplated under the Finance Lease Arrangement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Arrangement exceeds 0.1% but is less than 5%, the Finance Lease Arrangement is subject to the reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 18 March 2020, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Arrangement which comprises:

- (i) the Finance Lease Agreement pursuant to which Chengtong Financial Leasing has agreed to purchase the Facilities from the Lessee and lease the Facilities back to the Lessee for a term of five (5) years; and
- (ii) the Guarantee Agreement pursuant to which the Guarantor has agreed to provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreement.

FINANCE LEASE AGREEMENT

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

Date

18 March 2020

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

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 and the signing of other relevant agreements in relation to the Finance Lease Arrangement), Chengtong Financial Leasing has agreed to purchase the Facilities from the Lessee at the Purchase Price of RMB40 million (equivalent to approximately HK\$44.40 million), and the Facilities shall be leased back to the Lessee for a period of five (5) years from the date on which the Purchase Price is paid by Chengtong Financial Leasing.

If any of the conditions as set out in the Finance Lease Agreement are not satisfied on or before 30 April 2020, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreement.

The appraised value of the Facilities as at 13 March 2020 amounted to RMB40.01 million (equivalent to approximately HK\$44.41 million) in aggregate as assessed by a qualified independent valuer in the PRC. The Lessee did not separately calculate the net profits (before and after tax) of the Facilities which form part of production assets. The original acquisition cost of the Facilities paid by the Lessee to the manufacturer was RMB41 million (equivalent to approximately HK\$45.51 million).

Purchase Price

The Purchase Price was agreed between Chengtong Financial Leasing and the Lessee after arm's length negotiation with reference to the appraised value of the Facilities. The purchase price shall be paid in cash within five (5) business days upon the satisfaction of the conditions as set out in the Finance Lease Agreement.

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

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 five (5) years commencing from the date on which the Purchase Price is paid by Chengtong Financial Leasing. The Lease Term is expected to commence on 25 March 2020 and in any event by no later than 30 April 2020.

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB46.03 million (equivalent to approximately HK\$51.09 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) 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 the Purchase Price to be paid by Chengtong Financial Leasing) with a floating return rate calculated at 60 basis point above the prevailing 5-year term loan prime rate published by the PBOC or any other institutions or departments authorised by the PBOC as at the date on which the Purchase Price is paid by Chengtong Financial Leasing. 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 Facilities and the credit risks associated with the Finance Lease Arrangement. If the loan prime rate is adjusted by the PBOC or any other institutions or departments authorised by the PBOC during the Lease Term, Chengtong Financial Leasing may adjust the amount of the lease payment by serving notice to the Lessee.

Service Fee

The Lessee shall pay a service fee of RMB1.60 million (equivalent to approximately HK\$1.78 million) to Chengtong Financial Leasing on the date of commencement of the Lease Term for the upfront costs incurred by Chengtong Financial Leasing in preparation of the purchase of the Facilities pursuant to the Finance Lease Arrangement. The service fee is non-refundable and shall not be used to offset the lease payment or any other amounts payable by the Lessee under the Finance Lease Arrangement.

Insurance

The Lessee shall, on its own costs, purchase property all risk insurance and machinery damage insurance to cover the Facilities throughout the Lease Term. Chengtong Financial Leasing shall be the insured and the first beneficiary of such insurances.

Lessee's right to purchase the Facilities

Upon 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 be entitled to purchase the Facilities at a nominal consideration of RMB10,000.

GUARANTEE AGREEMENT

The principal terms of the Guarantee Agreement are set out as follows:

Date

18 March 2020

Parties

Guarantor: The Guarantor

Guarantee: Chengtong Financial Leasing

Subject matter

Pursuant to the Guarantee Agreement, the Guarantor has agreed to provide 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 and other payables. The guarantee is irrevocable and continuing in nature.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

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 (excluding service fee) of approximately RMB6.03 million (equivalent to approximately HK\$6.69 million), being the difference between the estimated total lease payment under the Finance Lease Agreement and the Purchase Price to be paid by Chengtong Financial Leasing for the Facilities.

The terms of the Finance Lease Arrangement, including the Purchase Price and the lease payment, were arrived at after arm's length negotiation between the parties with reference to the value of the Facilities and the prevailing terms for comparable finance lease agreements.

The Directors (including independent non-executive Directors) are of the view that the terms under the Finance Lease Arrangement 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 Finance Lease Arrangement or is required to abstain from voting on the Board resolution in relation to the Finance Lease Arrangement.

INFORMATION ON THE GROUP, THE LESSEE AND THE GUARANTOR

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 Lessee is a company established in the PRC, and is principally engaged in the provision of consultancy services in new energy technologies, as well as research and development, promotion and sale of solar-powered products. The Lessee is a wholly-owned subsidiary of the Guarantor.

The Guarantor, together with its subsidiaries, is principally engaged in the production and manufacture of cultural paper and colored paper, construction and operation of Internet data centre and new energy power generation, and is listed on the Shenzhen Stock Exchange (stock code: 000815). The Guarantor is indirectly owned as to approximately 33.17% by CCHG. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, other than CCHG, each of the other ultimate beneficial owners of the Guarantor is an Independent Third Party.

CCHG is a state-owned enterprise established in the PRC and the ultimate holding company of the Company. The major businesses of CCHG and its subsidiaries include equity operation, financial service, assets management, integrated logistics, as well as development and utilization of forestry pulp paper.

IMPLICATION UNDER THE LISTING RULES

The Lessee is a wholly-owned subsidiary of the Guarantor, which is indirectly held as to approximately 33.17% by CCHG, the ultimate holding company of the Company. Therefore, the Lessee and the Guarantor are connected persons of the Company and the transactions contemplated under the Finance Lease Arrangement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Arrangement exceeds 0.1% but is less than 5%, the Finance Lease Arrangement is subject to the reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A 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
“CCHG”	means	中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), a company established in the PRC with limited liability and the ultimate holding company of the Company
“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 (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
“connected person(s)”	means	has the meaning ascribed to it under the Listing Rules
“Directors”	means	the directors of the Company
“Facilities”	means	certain solar photovoltaic modules and equipment used in a photovoltaic power station located in Ningxia, PRC

“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 and the Guarantee Agreement
“Finance Lease Agreement”	means	the finance lease agreement entered into between Chengtong Financial Leasing and the Lessee on 18 March 2020 in relation to the Finance Lease Arrangement
“Group”	means	the Company and its subsidiaries as at the date of this announcement
“Guarantee Agreement”	means	the guarantee agreement entered into between Chengtong Financial Leasing and the Guarantor on 18 March 2020 in relation to the provision of guarantee by the Guarantor in relation to the Finance Lease Arrangement
“Guarantor”	means	中冶美利雲產業投資股份有限公司 (unofficial English translation being MCC Meili Cloud Computing Industry Investment Co., Ltd.), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 000815), which is indirectly held as to approximately 33.17% by CCHG
“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 Term”	means	the term of the lease of the Facilities under the Finance Lease Agreement, being five (5) years
“Lessee”	means	寧夏中冶美利雲新能源有限公司 (unofficial English translation being Ningxia MCC Meili Cloud New Energy Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Guarantor
“Listing Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PBOC”	means	the People’s Bank of China
“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 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, 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, 18 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.