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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 20 December 2016, 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 relevant percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement alone and when aggregated with the Previous 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.

### **FINANCE LEASE AGREEMENT**

#### **Date**

20 December 2016

#### **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 owners are Independent Third Parties. The Lessee is principally engaged in the development and sale of real estate, housing construction, decoration and renovation for construction projects, development, leasing and sale of industrial real estate as well as development and consolidation of land.

### **Finance Lease Arrangement**

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, the signing and the coming into effect of the Mortgage Agreement in respect of the Property, the completion of the mortgage registration and the issuance of a rating report on the Property by a rating company approved by Chengtong Financial Leasing), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB100 million (equivalent to approximately HK\$112 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 January 2017, Chengtong Financial Leasing shall have right to unilaterally terminate the Finance Lease Agreement.

### **Purchase Price**

The Purchase Price of RMB100 million (equivalent to approximately HK\$112 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 19 October 2016 in the amount of approximately RMB113 million as assessed by a qualified independent valuer.

The Purchase Price will be satisfied by the internal resources of the Group or bank loans obtained by the Group.

### **Lease Payment**

The total amount of lease payment over the Lease Term is approximately RMB111 million (equivalent to approximately HK\$124 million) 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 lease payment 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 prevailing benchmark lending rate of the People's Bank of China with a premium.

## **Lessee's Right to Repurchase 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 have right to repurchase the Facilities at a nominal consideration of RMB1.

## **Mortgage of the Property**

The Mortgagor is a wholly-owned subsidiary of the Lessee and is principally engaged in infrastructure construction, land leveling, urban greening, property management, consultancy on information of investment and capital, project initiation service for enterprises and construction materials. The Mortgagor has executed the Mortgage Agreement in favour of Chengtong Financial Leasing, pursuant to which the Mortgagor agreed to charge the Property together with all its rights and interest in, and its income deriving from the Property in favour of Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Finance Lease Agreement, including but not limited to the lease payment and other payables.

The Property is designated for commercial and service use and is currently vacant. According to a valuation report issued by an independent property valuer, the appraised value of the Property as at 20 October 2016 is approximately RMB235 million (equivalent to approximately HK\$263 million).

Within five (5) working days from the date of signing of the Mortgage Agreement, the Mortgagor shall attend to the relevant PRC authority to complete the mortgage registration of the Property.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Mortgagor and its ultimate beneficial owner (being the Lessee) are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT**

The Group is principally engaged in property development, property investment, finance leasing, hotel and marine travelling services and trading of coal.

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 RMB11 million (equivalent to approximately HK\$12 million), being the difference between the 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**

On 13 October 2015, the Lessee entered into a finance lease agreement with Chengtong Financial Leasing pursuant to which Chengtong Financial Leasing purchased certain sewage network and the ancillary facilities and equipment from the Lessee at an aggregate consideration of RMB100 million (equivalent to approximately HK\$112 million) and leased the same back to the Lessee for a term of three (3) years for a total amount of lease payment of approximately RMB113 million (equivalent to approximately HK\$127 million) (“**Previous Finance Lease Arrangement**”).

The Previous Finance Lease Arrangement did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As the highest relevant percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement alone and when aggregated with the Previous 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	means the directors of the Company

“Facilities”	means certain road network facilities and ancillary facilities and equipment
“Finance Lease Agreement”	means the finance lease agreement dated 20 December 2016 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
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means party(ies) independent of the Company and its connected persons
“Lessee”	means 盤錦鑫誠實業集團有限責任公司 (formerly known as 盤錦遼濱鑫誠開發建設有限責任公司), 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
“Mortgagor”	means 盤錦永惠開發有限責任公司, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Lessee
“Mortgage Agreement”	means the mortgage agreement dated 20 December 2016 and signed between the Mortgagor and Chengtong Financial Leasing in relation to the mortgage of the Property
“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

“Property”	means a piece of land of an area of 130,363 square metres located in the Liao Bin Coastal Economic Zone (遼濱沿海經濟區) of Panjin City (盤錦市) of Liaoning Province, the PRC
“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\$1.12. 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**  
**Wang Hongxin**  
*Managing Director*

Hong Kong, 20 December 2016

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